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NEWS SUMMARY

GENERAL

Smith delays majority rule

Rhodesia last night postponed until April the country's transition to black majority rule, due to have taken place by December 31.

The four-month delay in the transitional programme, drawn up last March, was accepted as inevitable by black nationalist leaders Bishop Abel Muzorewa and the Rev. Ndabaningi Sithole, chief opponents to such a postponement.

The move came after nine-hour talks involving the executive and ministerial councils. A Government statement said that one-man, one-vote elections would be held on April 20.

Thorpe plea

Lawyers for former Liberal leader Jeremy Thorpe, facing charges of conspiracy and incitement to murder, failed in a High Court move to challenge the immunity from prosecution given by the DPP to Crown witness Peter Bessell. But QC for the DPP Peter Taylor said that immunity did not protect Mr. Bessell from any perjury charges which might arise out of the case.

TV soccer deal

London Weekend Television have negotiated exclusive rights for coverage of Football League and Football League Cup matches from the start of the 1979/80 season. Back Page

Damages order

Scottish Daily Record and Sunday Mail of Glasgow has to pay £302,000 damages to Capital Life Assurance Company of Wolverhampton for three defamatory articles, an Edinburgh court ruled.

Fireman killed

A fireman decorated by the Queen this year was killed, and four of his colleagues hurt, in a terrorist firebomb attack on the Bass brewery in Belfast.

'Doc' suspended

Soccer manager Tommy Docherty was suspended by his club, Derby County, for seven days while his future with the club is decided. The suspension followed a Board meeting at which his abortive High Court libel action was discussed.

Guilty verdict

Journalist Duncan Campbell was found guilty in the Old Bailey secrets trial of receiving information from former Army intelligence corporal John Berry. A verdict on Time Out journalist John Crispin Aubrey, pleading not guilty to aiding and abetting Campbell, has yet to be reached.

Airliner crashes

An Icelandic Airways DC-8 airliner packed with Moslem pilgrims crashed while trying to land at Colombo airport during a storm, killing at least 199 of the 262 passengers and crew. Page 3

Briefly . . .

Thieves used a wheelbarrow to carry away a safe they stole from Oakley Post Office, Suffolk.

A postal hitch prevented actor Albert Finney and his French actress wife Anouk Aimee from getting divorced in a London court. Miss Aimee's letter of consent had not arrived.

Australia is to stop using the Queen's portrait on its postage stamps.

Retired bandleader Lou Praeger has died in his Majorca home.

About 200,000 workers in Social Security offices and textile factories in Portugal wenut on strike over higher wages.

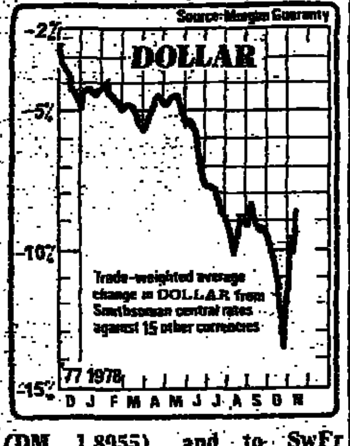
Healthy baby was born in Austria after growing to full size in her mother's fallopian tube.

Miss World 1979 is Miss Argentina.

BUSINESS

Dollar stronger; Gold falls $7⅞

● DOLLAR rose in late London trading helped by OECD reports on the major economies and U.S. official statements. Page 2. It rose to DM 1.9127½



(DM 1.8955), and to SwFr 1.6815 (SwFr 1.6395). The dollar also rose sharply against the Japanese yen after news of Japan's lower trade surplus, ending at Y194.1 (Y189.8). Its trade-weighted depreciation narrowed to 8.7 per cent (9.3).

● GOLD fell $7⅞ to $196 in London due to the strength of the dollar and proposed increase in U.S. official gold sales. In New York the Comex November settlement price was 30 points up at $198.80.

● EQUITIES were marked down on Treasury views of UK economic prospects and the FT ordinary index fell 4.6 to 471.9. Golds responded to the fall in bullion price and the Gold Mines index fell 3.3 to 130.3.

● GILTS improved with fresh investment drawn to shorts. The Government Securities index closed 0.01 down at 68.27.

● WALL STREET closed 8.58 up at 794.18 on bargain hunting.

● UK MONEY supply growth has been held below the Government's target range of 8-12 per cent in the first half of 1978. But Bank of England figures show a substantial underlying upward trend in credit demand last month. Back Page

In the U.S., the Federal Reserve has signalled a further tightening in money supply, with growth targets for the narrowest definition, M1 set at 2-6 per cent from 4-6½ per cent for the year ahead. Back Page

● CHANCELLOR of the Exchequer has said that the reason for the expected fall-off in economic growth next year is because manufacturing industry will be unable to stand up sufficiently to competition in home or export markets. Page 6

● JAPAN registered a balance of payments deficit in October for the first time since November 1975. Trade surplus fell from $1.872bn in September to $1.070 bn and a current account surplus of $315m in October became a $1.404bn loss. Back Page

● EUROPEAN Monetary System Green Paper will probably be published next week, a week before formal Cabinet decision on whether Britain should join.

● GMWU shop stewards representing a third of Britain's 90,000 power workers, are seeking a pay rise "very much in excess" of the 5 per cent guidelines. The miners are to table formally with the NCB next week their 40 per cent claim. The Union of Post Office Workers has drawn up a 24.4 per cent claim and a demand for a three-hour cut in working hours. Page 14

● BRITISH OXYGEN made an improved pay offer to its 3,000 drivers and cylinder handlers who have already rejected 8½-9 per cent.

COMPANIES

● BOOTS reports pre-tax profit for the six months to September 30 7.1 per cent up at £51m. Page 29

● ULTRAMAR pretax profits for the nine months to September 30 rose £11.3m to £26.7m. Page 31

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:			Hoskins and Horton	152	− 16
Exchequer 10pc 1983	£88[illegible]	+ ¼	ICL	422	− 11
Brit. & Commonwealth	291	+ 4	Kwick Save	82	− 5
Clondalkin Paper	102	+ 13	Ladbroke	156	− 5
..ing and Hambly	43	+ 5	Lloyds Bank	253	− 5
..bury	54	+ 9	Lucas Inds.	294	− 6
..rton and Wright	136	+ 8	Modern Engineers	47	− 4
..glo United	220	+ 10	P & O Defd.	77	− 21
..oma Gold	28	+ 4	Spear (J. W.)	193	− 27
..rthern Mining	82	+ 8	Tate of Leeds	69	− [illegible]
..orthgate Expln.	435	+ 65	United Scientific	232	− 6
..rth West Mining	21	+ 3	Shell Transport	570	− 7
..stfield Minerals	234	+ 67	Guthrie	315	− 15
			Charter Cons.	126	− 6
FALLS:			Cons. Gold Fields	168	− 6
..m	60	− 4	Elsburg	72½	− 5½
..by Leslie	66	− 5	Impala Plat.	161	− 7
..ca	415	− 8	President Steyn	578	− 22
..ell Elect.	360	− 7	RTZ	232	− 6
..S "A"	296	− 6	Ventersport	141	− 11

British Shipbuilders tells unions of plan to cut 12,300 jobs

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

British Shipbuilders has told its trade unions that it wants to cut the industry's capacity by 32 per cent by 1980-81, with the loss of 12,300 jobs.

Official confirmation of this, and of details of a breakthrough in talks on a common date for annual pay negotiations, came yesterday at a special delegates' meeting of the Confederation of Shipbuilding and Engineering Unions in Newcastle.

The pay proposals would involve some men forgoing any rise in basic rates for more than two years. An additional problem for British Shipbuilders is that pay awards this year have already added 2.8 per cent to its wage bill, leaving only 2.2 per cent available within the Government's five per cent guideline.

The plan to cut capacity would involve increasing the annual rate of the Government's shipbuilding intervention fund used to subsidise orders, from £85m to £110m.

Mr. John Chalmers, chairman of the confederation's shipbuilding committee, said he was doubtful whether the proposals could form the basis of an agreement.

If the plan was to have any chance of success the Government would have to meet the full social costs of the change—and that meant keeping redundant men on full pay until they found work.

Delegates were told that British Shipbuilders had considered four basic options for its first corporate plan. Apart from the favoured option these were: retaining merchant shipbuilding at its present size with 33,000 employees, which would require an intervention fund of £300m a year; and two possibilities involving 20,000 and 25,000 redundancies, which would effectively mean a total shutdown of merchant shipbuilding.

The favoured option involved reducing capacity from 632,000 compensated gross registered tonnes this year to 430,000 cgrt in 1980-81, increasing to 530,000 cgrt in 1982-83. This would require an annual intervention fund of £110m in 1979-1981, £85m in 1981-82 and £50m in 1982-83.

The pay formula put to the meeting yesterday, which has been agreed by British Shipbuilders, the Government and the confederation's shipbuilding committee, was described by one member of the committee as a revolutionary proposal more advanced than in any other nationalised industry.

It would establish a common annual pay agreement date of January 1, beginning next year, and would replace the 168 separate negotiations which have taken place in the last year.

Some men, however, would have to forfeit any increase in basic rate—productivity schemes are exempt—for two and a quarter years.

The formula sets minimum earnings levels for a 40-hour week for all manual workers, offering £80 for skilled men, £70 for semi-skilled and £62 for unskilled.

The total cost of the package has not been assessed as a percentage increase on the wage bill, but will certainly be well below the 5 per cent limit. The 12-month rule on the gap between settlements, however, would be broken for two-thirds of the workforce.

The confederation leadership is recommending the deal on the grounds that shipbuilding workers did well last year with an average of 15 per cent and that the industry simply cannot afford to pay more.

Earlier this week British Shipbuilders reported a loss for its first nine months of £105m.

● The date for Swan Hunter's capital reconstruction scheme—under which shareholders will share the £15m Government compensation for nationalising the company's shipbuilding activities—will be known within the next few days. Page 29

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British-China trade will treble over seven years

BY COLINA MacDOUGALL

TRADE BETWEEN Britain and China is to be significantly increased to a total of $8-10bn between now and 1985. Arms sales are also to be considered.

This was agreed between Wang Chen, the Chinese vice premier, and Mr. James Callaghan at a meeting at 10 Downing Street yesterday.

The high-powered Chinese delegation is, however, going back to Peking disappointed that it did not secure a contract for the purchase of Britain's vertical take-off Hawker Harrier jet fighter during its visit. Mr. Callaghan insisted that NATO allies had to be consulted over such a sale.

Officials on both sides were anxious last night to play down reports that negotiations between the two sides had been strained because the Chinese felt they had not been accorded reception appropriate to the vice premier's rank.

Mr. Wang yesterday unexpectedly cancelled a Press conference in what may well have been a sign of his disappointment at the way in which the negotiations had turned out. Mr. Wang clearly hoped on his arrival to sign several contracts including one for the Harriers during his visit here.

Mr. Callaghan, who in an attempt to mollify the Chinese moved his talks with the vice premier from the House of Commons to Downing Street, stressed that Britain wanted a balanced relationship with China and not simply that of an arms salesman. Clearly the talks have been very tough.

One element in Britain's reticence on the arms side would have been a desire not to impair its relationship with the Soviet Union, which has sought to prevent arms sales to China.

Despite the awkwardness that has accompanied the negotiations, Britain has clearly secured an economic agreement of some magnitude. Trade by 1985 between the two countries should be three to four times its present level. A draft agreement has already been drawn up, and is to be signed as soon as possible.

The draft contains no undertaking that trade should balance, and it seems likely that British exports will outweigh imports. It is expected, however, that there should be sufficient finance and export credit available to support the proposed level of trade, and more.

More than a dozen areas of trade are covered in the proposed draft, which includes power generation, mining, metallurgy, steel, agricultural machinery, ships, ports, airports, railways and offshore oil.

It seems likely that the agreement can be seen as an implied undertaking to provide at least the military aircraft that the Chinese have been so anxious to buy. Mr. Callaghan stressed in his meeting with Mr. Wang that the relationship between Britain and China was to be an all-round one which would cover a number of fields but would also include defence.

World Trade News, Page 5

Nuclear delays hit Shell results

BY KEVIN DONE, ENERGY CORRESPONDENT

THE Royal Dutch/Shell group yesterday announced disappointing results for the third quarter with a 20 per cent drop in net income. The share price fell by 7p to close at 570p.

The improvement in oil trading conditions continued through the third quarter, but group results were hit by additional tax charges and by the increased provision for losses arising from Shell's involvement in the nuclear industry through the General Atomic Company.

The increased losses have been caused by the mounting delays at the Fort St. Vrain nuclear plant in Colorado.

Net income for the group for the third quarter (before currency translation effects) was £252m, a drop from £317m in the third quarter of last year. Net income for the first nine months of the year was £820m, a 28 per cent fall compared with the same period of 1977.

Outside North America, sales of oil products showed a three per cent increase in the third quarter over the corresponding three months last year. Demand has picked up significantly for light oil products, such as petrol and kerosene.

Sales of natural gas have fallen because of the decline in sales of UK and Dutch gas, which is facing increasing competition from supplies from northern North Sea fields, such as Ekofisk and Frigg.

There was a jump of 10 per cent in the volume of chemicals sales in the third quarter, compared with the especially depressed trading conditions of the third quarter of 1977. Shell said yesterday the general chemicals business environment remains disappointing with most products in serious overcapacity causing weak prices and low margins.

Royal Dutch/Shell group sales for the first nine months totalled £21.39bn compared with £21.27bn in the first three quarters of 1977.

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Times union rejects talks

By Philip Bassett, Labour Staff

SUSPENSION of publication of The Times, its three supplements and the Sunday Times from November 30 became virtually certain yesterday when the National Graphical Association confirmed its refusal to negotiate until the threat of suspension was lifted.

It decided not to attend a meeting of printing union general secretaries called by Times Newspapers for Tuesday.

The union, which has 108,000 members also withdrew from a meeting to have been held with the company today on the introduction of new technology. Its national council heard yesterday that Times Newspapers' proposals involved the loss of half the jobs held in the company by its members.

The union wrote to Mr. Duke Hussey, chief executive of the company, informing him of the national council's decision. The company says it will suspend publication at the end of the month unless all unions' branches agree on efficient and continuous production.

The letter from Mr. Joe Wade, the union's general secretary, said: "Until such time as you (Mr. Hussey) are prepared to withdraw the threat to suspend publication of all your newspapers and to remove the deadline for completion of negotiations, we would not agree to negotiations taking place between the NGA and the company at any level.

"So far as the NGA is concerned, there could be no question of reaching agreement on any aspect of your proposals without proper consultation and agreement with our London region and chapel (office branch).

"Your suggestion of a meeting with the general secretaries appears to be an attempt on the part of the company to reach agreements and understandings with the general secretaries without the involvement of the branches and chapels."

The union withdrew from today's proposed talks on new technology because, it said, the company remained determined to commit the union to the principle and practice of direct input to computers by non-NGA staff.

Mr. Wade said last night that the company was seeking an agreement based on direct input by journalists and advertising staff that would ultimately more than halve the jobs for his members at the company.

● Journalists at the Press Association, Britain's national news agency, are to call lightning strikes from Monday over a pay dispute.

The National Union of Journalists chapel said after a two-hour meeting that it would also impose sanctions on working.

Top insurance brokers plan link-up

BY JOHN MOORE

THREE OF the world's largest insurance brokers are planning to regroup. They are Alexander and Alexander Services of the U.S., and Sedgwick Forbes and Bland Payne, both based in the UK.

Sedgwick Forbes plans to merge with Bland Payne. Once established, the new group will co-ordinate its business with Alexander and Alexander, the second largest insurance broker in the U.S. The two groups could then be pooling broking incomes of around $500m, and produce total combined pre-tax profits of around $140m.

The move will make the new grouping similar in size to the planned tie-up of Marsh and McLennan Companies of the U.S. with C. T. Bowring, one of the two biggest in the UK.

Sedgwick Forbes shares were suspended on the London stock exchange yesterday at 410p, which values the group at £125m.

Discussions have been taking place between Bland Payne and Sedgwick Forbes since the summer. Another dimension is added to the plans because although Bland Payne is a wholly-owned subsidiary of Midland Bank, Marsh and McLennan Companies, the largest U.S. insurance broker, has a 20 per cent minority shareholding in Bland Payne's main insurance broking businesses. The Midland Bank is to acquire the Marsh minority for cash.

Expertise

Mr. John Regan, Marsh and McLennan's chairman, declined to say last night how much he would expect for Marsh's stake and said he had heard of the deal for the first time last Friday.

Mr. Neil Mills, chairman of Bland Payne, said larger broking operations were required to deal with the mammoth lines of insurance business of multinational corporations. "Big clients want world wide expertise. It is the big man's day. Medium-sized brokers must be having quite a tough time."

The merger of Sedgwick Forbes and Bland Payne is to be achieved through the issue of shares by Sedgwick Forbes to Midland Bank in exchange for the shares comprising the Bland Payne group interests, after the Midland Bank has completed its cash deal with Marsh and McLennan.

But the Midland Bank envisages retaining a shareholding of significant value in the merged UK company. What that stake is likely to be the Midland would not say, except that it is to be a trade investment and not one which would bring the stake to associate company size. It will therefore be under 20 per cent.

With its shareholding much reduced the Midland is to offer its own shareholders and convertible loan stock holders the opportunity of participating in the divestment.

Once completed the merged group will co-ordinate its worldwide broking interests with Alexander and Alexander in a pooling arrangement similar to that of Marsh and McLennan with C. T. Bowring.

The 16-strong ruling committee of Lloyd's gave its approval to the scheme at its weekly meeting on Wednesday. It said yesterday that assurances had been received from Sedgwick Forbes and Bland Payne that the arrangements, when finalised, will not breach the letter or the spirit of the committee's requirements, which limited ownership of a Lloyd's broker by a non-Lloyd's insurance interest to 20 per cent.

Meanwhile, dealings in Sedgwick Forbes shares are to be suspended for the time being, although shareholders are to be kept advised of developments.

In the year to December 31, 1977, Sedgwick Forbes pre-tax profits amounted to £23.2m, while Bland Payne's taxable profits in its last financial year to September 30, 1977, amounted to £21.9m. Forecast results for 1978 of Sedgwick Forbes and Bland Payne are in preparation, and discussions on terms will take place when the forecasts are completed.

John Wyles reports from New York: No official of Alexander and Alexander was available for comment on the announcement, but New York brokers believed the merger would encourage the development of a more international, but more concentrated world insurance brokerage industry.

Alexander and Alexander is second in the U.S. only to Marsh and MacLennan in its annual revenues which are expected to be $285m this year, rising to more than $350m in 1979 through the acquisition, to be completed in January, of a smaller brokerage firm, R. B. Jones.

Alexander and Alexander's growth has been aggressive in the past five years thanks to an active acquisition policy and also impressive success in attracting new business.

Its relative lack of presence internationally is held to be partly responsible for its relative weakness in reinsurance brokerage and the link with Sedgwick Forbes should clearly prove a remedy.

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£ in New York

—	Nov. 16	Previous
Spot	$1.9565-9575	$1.9620-9635
1 month	0.46-0.41 dis	0.63-0.47 dis
3 months	1.18-1.15 dis	1.20-1.14 dis
12 months	4.30-4.15 dis	4.10-3.90 dis

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FEATURES

For latest Share Index 'phone 01-246 8026

Millions strike as Italy faces renewed crisis

BY PAUL BETTS — ROME, Nov. 16.

CRACKS IN Italy's fragile governing coalition between the Communists and the ruling Christian Democrats appear to be deepening.

As some 3½m workers went on a token four-hour strike today in the Mezzogiorno, underlining the level of social discontent in the country, the rows over an imminent Cabinet reshuffle and a proposed law to eliminate Italy's archaic system of tithe farming are coming to a head.

The controversy over the government reshuffle centres on the apparent refusal of Sig. Carlo Donat Cattin, the retiring Industry Minister, to accept the Candidate to replace him proposed by Sig. Giulio Andreotti, the Prime Minister.

Sig. Donat Cattin was recently appointed deputy secretary general of the Christian Democrat Party, and according to an unwritten Italian law, a leading Party official cannot hold a ministerial portfolio.

Sig. Donat Cattin, however, has claimed the right to select his own successor. He was therefore intensely irritated when Sig. Andreotti, who as Prime Minister effectively enjoys the constitutional right to choose the members of his Cabinet, suggested appointing Sig. Romano Prodi, a respected economist and Christian Democrat sympathiser although not actually a member.

This appointment, Sig. Donat Cattin claimed, would upset the current balance within the Cabinet of the various factions of the Christian Democrat Party and he has been insisting on the nomination of a candidate from his own faction, the so-called New Forces.

At the same time, Sig. Donat Cattin, who is by no means one of Sig. Andreotti's supporters, is reported to have accused the Prime Minister of being too open towards the Communists.

For their part, the Communists, who have not taken kindly to the recent shift of Sig. Donat Cattin from the Left to the Right of centre of the Christian Democrat Party, are now openly attacking the retiring Industry Minister, himself one of their greatest critics. In an unusually blunt front page headline, the Communist Party newspaper, l'Unita, declared; 'This man must go.'

In turn, Sig. Benigno Zaccagnini, the Christian Democrats' reformist secretary general, also took exception to Sig. Donat Cattin suggesting that the Government was being too soft to the Communist Party.

This latest political row within the ruling Party, which Sig. Andreotti will have to tackle on his return from a visit to four Arab capitals, is only the latest sign of increasing political irritation over Italy's present governing formula.

The debate on the proposed law to abolish tithe farming, already approved by the Senate but blocked in the Chamber of Deputies with more than 1,000 amendments tabled, is also putting pressure on Sig. Andreotti's minority Government, as is the so-far sceptical reaction of the trade unions to the Government's policy for wage restraints. The strike in the Mezzogiorno today was another reminder of the difficulties the Government is likely to encounter in its attempts to introduce an incomes policy.

But while all the main political forces, including the Communists, have openly said they did not want a Government crisis at this stage, the accumulation of an increasing number of bitter disagreements and squabbles not only between the various political forces but inside the individual parties, the trade unions and the Cabinet itself, could well unbalance Italy's delicate political equilibrium.

Portugal textile walk-out

BY JIMMY BURNS — LISBON, Nov. 16.

MORE THAN 200,000 textile workers went on strike today as part of the latest wave of industrial action in Portugal over wage claims. The strike, along with others which have taken place this month, follows deadlock in negotiations between employers and unions on the terms of collective wage contracts due for renewal this autumn.

Although Portugal has yet to experience an all-out union offensive, strikes and stoppages are increasing, and industrial action often affects key sectors of the economy.

Textiles account for a fifth of the country's total industrial production, and cover 30 per cent of Portugal's total exports.

Today's strike will be followed tomorrow by industrial action by more than 200,000 workers belonging to the Communist-dominated Federation of Metal-Workers Unions. It is workers in less than a month.

They are demanding a 20 per cent wage increase, the maximum allowed under the Government-imposed ceiling. Employers are offering 11 per cent, claiming that labour and production costs are already too high.

Slower growth forecast for the West

BY ROBERT MAUTHNER — PARIS, Nov. 16.

THE SECRETARIAT of the Organisation for Economic Co-operation and Development today forecast a slowing of the Western world's growth in 1979, offset by an improvement in the area's overall current balance of payments and a further drop in inflation.

The forecasts, contained in a paper submitted to the OECD's economic policy committee, were accompanied by a suggestion that it might be desirable for the weaker economies, in addition to West Germany and Japan, to adopt some expansionary measures in the second half of next year.

The secretariat, which is forecasting a fall in the area's growth rate from 3.6 per cent in 1978 to 3.3 per cent next year, is understood to fear that the expansion of the stronger economies in 1979 might not be sufficient to make up for the effect of deflationary policies in other major member countries such as the U.S., the UK, France and Italy. The situation likely in the second half of next year, when the slowing of growth is expected to become more rapid, is considered particularly disquieting.

Even the secretariat's less than optimistic figures are felt by some delegations to paint too bright a picture. It forecasts that U.S. GDP, after growing by 3.8 per cent this year, will increase by no more than 2.8 per cent in 1979, slightly less than the official prediction of the U.S. Administration, but considerably more than the 2 per cent rise foreseen by private U.S. forecasting institutes.

West Germany's GDP is expected to increase by 3.9 per cent in 1979 after rising by 2.9 per cent this year, but growth in Japan, another of the "locomotive" countries, is expected to slow down to 4.6 per cent in 1979 from 5.8 per cent this year.

The concerted strategy for economic growth, which was adopted at last July's Western economic summit, is therefore at a crossroads. Many officials feel that, given the expansionary measures which have already been adopted by West Germany and Japan this year, it would be unrealistic to demand an even greater effort from these countries over the next few months.

	GDP growth in real terms (%) 1978	1979	Current account balances ($bn) 1978	1979	Consumer price index (% rise) 1978	1979
United States	3.6	2.8	−19.5	−12	6.9	7.5
Japan	5.8	4.6	20.5	12	3.9	4.1
West Germany	2.9	3.9	6.75	3.25	2.7	2.8
France	3.0	3.5	2.25	3.25	9.5	9.3
U.K.	3.0	2.5	0	3.0	8.0	7.5
Canada	3.5	4.1	− 4.0	− 4.0	8.0	7.2
Italy	2.0	3.5	5.5	6.0	12.9	10.7
Netherlands	—	—	− 2.0	− 2.0	—	—
Belgium-Lux.	—	—	0	0	—	—
Switzerland	—	—	4.5	5.0	—	—
All OECD	[illegible]	3.3	− 1.25	− 0.5	8.0	6.5

At the same time, the OECD secretariat would be contradicting itself if it were to propose that the so-called "convalescent" countries should reflate before their payments balances and rates of inflation were fully under control.

Officials point out that the trend, particularly on the payments front, is in the right direction. The OECD area's overall current deficit is expected to fall to only $500m in 1979 from $1.25bn this year, while the U.S. deficit is expected to be reduced to $12bn next year from $19.5bn in 1978, according to the secretariat. This will be accompanied by a substantial decline next year in the current surpluses of the two leading strong economies, West Germany and Japan, from $6.75bn to $3.25bn in the first case and from $20bn to $12bn in the second. Most of the "convalescent" countries will be back in surplus next year.

But inflation, as the table shows, still remains intractable in most countries, although the average OECD rate is expected to fall to 6.5 per cent next year from 8.0 per cent in 1978. The timing of any reflationary effort by the weaker economies such as the UK, France and Italy, thus remains a particularly difficult matter to decide.

Greenland to be given home rule

THE Danish Parliament will today give final approval to a group of 12 Bills giving Greenland home rule status within the kingdom of Denmark, writes Hilary Barnes in Copenhagen.

The legislation will be followed by a referendum in Greenland in January, when it is expected that the Greenlanders will accept the home rule offer. Although foreign and defence policy will remain under Danish control, the Copenhagen government has said that, should a majority of the Greenlanders wish to withdraw from the EEC, Denmark will respect this wish.

In that case, the Greenlanders would follow the Faroe Islands, which also enjoy home rule status without belonging to the EEC. In the 1972 referendum in Denmark on joining the EEC, an overwhelming majority of Greenlanders voted against membership.

● Denmark's third quarter current balance of payments deficit was DKr 1.45bn, compared with DKr 2.42bn in the same quarter last year, the Bureau of Statistics has reported. The Government is aiming for a current deficit in 1978 of about DKr 7.5bn, compared with last year's DKr 10bn.

French 'no' on Europe Parliament

By David White — PARIS, Nov. 16.

FOLLOWING THE Gaullist RPR Party's strong campaign to limit the powers of the European parliament, the French Government has ruled out any change in the assembly's powers after the first direct elections are held next June.

The Foreign Ministry statement came in response to a recent declaration by Herr Helmut Schmidt, the West German Chancellor, who said the elected assembly would not be content with its present powers.

The French statement reaffirmed that the powers of the parliament were fixed by treaty. "These can only be modified by a unanimous agreement of member states, subsequently ratified by national parliaments," it said. "No extension of powers can, therefore, be decided upon if the French Government and the French parliament are opposed to it."

Questioned after a Cabinet meeting yesterday, M. Louis de Guiringaud the Foreign Minister, said there was no question of France participating in a move to change the treaty terms.

A special meeting of the RPR here last Sunday called on European heads of Government at their Brussels summit on December 4 and 5 to make clear that the European parliament would not gain extra powers after June.

The Government's statement failed to satisfy either the Gaullists or the other main opponents of a powerful assembly, the Communists. The RPR broadsheet "La Lettre de la Nation" today accused the Government of making domestic political capital out of the elections, while the Communist daily "L'Humanite" said that by accepting the principle of direct elections, back in 1974, France had agreed to give the assembly wider powers.

Gunmen murder former Chief Justice in Madrid

BY ROBERT GRAHAM — MADRID, Nov. 16.

TWO UNIDENTIFIED gunmen today assassinated Sr. Jose Francisco Mateu, a former Chief Justice in the now defunct Public Order Court. No one has claimed responsibility for the attack which coincides with its initiation of the Government's campaign for the referendum on the constitution.

The last assassination of this kind in Madrid occurred in July when two senior army officers were gunned down just when Parliament was at a crucial stage in its debate on the constitution.

Sr. Mateu presided over the Public Order Court from 1968 until its disbandment in 1976. The court was one of the most hated institutions of the Franco regime since it was here that the major political cases were tried. Sr. Mateu must, therefore, be seen as an obvious symbol of the former dictatorship.

One of the dead judge's sons was this afternoon quoted as saying that his father had been threatened several times by terrorist organisations and his assassination was not unexpected.

Police said that two gunmen shot Sr. Mateau at his home in central Madrid early this morning. The youths then threw grenades down the steet to cover their escape, but these did not explode. Immediately after the attack, road blocks were set up on the outskirts of the capital.

When the two army officers were killed in July, police at first said that the killings were the work of the revolutionary group GRAPO (First of October anti-Fascist Resistance Group). However, the militant Basque separatist organisation, ETA, subsequently claimed responsibility, and this claim was accepted by most observers.

So far this year, ETA has claimed responsibility for more than 40 of the politically motivated killings in Spain. The authorities here have been making preparations against an upsurge of terrorism as the referendum campaign gets under way. They feel that extremist groups, and in particular ETA, have a vested interest in causing the maximum disturbance to what will be Spain's last formal act in embracing democracy—by voting "yes" for the constitution in the referendum.

As of last week, the Government has approved a new offensive policy by the security forces in the Basque country. Extra police have been drafted into the area and a much tougher system of controls established.

Last night, two alleged members of ETA were killed in a shoot-out with security forces in the Basque town of Mondragon. This followed a police chase after gunmen had fired on the headquarters of the Guardia Civil there. Police cornered the car in a square and then opened fire on the occupants. A woman bystander was also killed.

Holland's abortion Bill agreed

By Charles Batchelor — AMSTERDAM, Nov. 16.

AGREEMENT HAS been reached within the Dutch cabinet on a Bill to liberalise abortion—an issue which has divided opinion for the past 10 years.

The major points of the new proposals are:

● The woman and her doctor decide jointly whether an abortion should be carried out, although the woman can turn to another doctor should the first refuse.

● Illegal abortion, by an unqualified person or in an unregistered clinic or hospital, will remain in the penal code.

● No abortion can be carried out after the 20th week of pregnancy.

● Abortions may be performed in a clinic up to three months but after this time the operation must take place in a hospital.

The draft Bill was announced by the Liberal (VVD) Minister of Health, Dr. Leendert Ginjaar and the Christian Democratic Minister of Justice, Dr. Jacob de Ruiter. It will be sent to the Council of State for its reaction and will then be presented to Parliament.

In a first reaction from the parties, Liberal MPs appeared to welcome the draft Bill, but some Christian Democrats, particularly members of the Catholic party wing, are expected to oppose it.

A liberalisation of Holland's abortion laws has been under discussion for the past decade. A private member's motion sponsored by Labour and Liberal party MPs under the previous Government was approved by the lower house but rejected in the upper chamber of Parliament.

Disagreement on attitudes towards abortion was one of the reasons for the breakdown of coalition talks between the Labour Party and the Christian Democrats last year.

Abortion is in theory only available in Holland on medical grounds but the law is already interpreted fairly liberally.

Liechtenstein joins Council of Europe

Liechtenstein will join the 20-nation Council of Europe later this month and sign the European Convention on Human Rights, the principality's Parliament has decided, Reuter reports from Vaduz. Bounded by Austria and Switzerland, Liechtenstein has a population of 25,000 and an area of 61 square miles.

Mengistu in Moscow

Lt. Col. Mengistu Haile Mariam, the Ethiopian leader, arrived in Moscow to a full scale state welcome for talks which are expected to take up the fighting in Eritrea and the Ethiopian desire for further Soviet economic and technical assistance, David Satter writes from Moscow.

Media accord nearer

The U.S. and other Western delegations to UNESCO said last night they were nearing agreement with a large number of developing countries on a watered down version of a controversial draft declaration on the mass media, AP reports from Paris.

Soviet Navy visit

Two Soviet warships arrived in Istanbul yesterday for the first courtesy visit to a Turkish port by the Soviet Navy for nearly 40 years, Reuter reports from Istanbul. Units of the Soviet Navy frequently pass through the Bosphorus straits on their way to and from the Mediterranean.

Rabies spreads

Rabies, spreading slowly south and west across France, has reached the department of Savoie, bordering on Italy, a Health Ministry spokesman said yesterday, Reuter reports from Paris. Three agricultural workers from Saint-Jean-le-Chevelu, Savoie, were taken for preventive treatment at the Pasteur Institute in Lyons after being contaminated last week by a cow which had been bitten by a fox. Cases of the disease have been reported in some 40 of France's 95 departments. It was first detected in the country 10 years ago and has reached areas around Paris.

Irish bid to find pay formula

BY STEWART DALBY — DUBLIN, Nov. 16.

IRISH TRADE union officials began a round of talks today with the Prime Minister and other Government ministers following the decision earlier this week by the Irish Congress of Trade Unions not to enter negotiations on a new national wage pact.

The talks, while ostensibly concerning Ireland's desire to enter the European Monetary System, and economic conditions generally, are likely to concentrate on whether it is worth starting a new round of national wage talks, or whether to find a new formula for holding down wage inflation.

According to one suggestion, the Government might be prepared to abandon an across-the-board average increase—last year's was 10 per cent—and instead lay down voluntary guidelines, making allowances for productivity deals.

The Irish Transport and General Workers' Union, the largest in the country, which was instrumental in bringing about the rejection, has drawn up a list of demands including better increases for the lower paid, restructuring the tax system to benefit poorer people, and revision of the National Health Service.

The Government has not committed itself to abandoning the old system of wage bargaining basically calling for average increases on a yearly basis, but is thought ready to consider other ways of wage bargaining.

The Government might try to separate public and private sector bargaining. Ireland's large number of public employees have done reasonably well under the national wage pacts, which have generally worked for the past seven years, but private sector workers feel that they have lagged behind particularly during the 1973-74 recession.

Kadar in talks with Barre

By Our Own Correspondent — PARIS, Nov. 16.

MR. JANOS Kadar, the Hungarian Communist Party chief, today met French Communist and Socialist leaders during a three-day official visit to France.

Yesterday Mr. Kadar held the first of two meetings with President Valery Giscard d'Estaing—the first ever at this level between the two countries. The talks focused on detente and disarmament, and took place in "an atmosphere of sincerity, frankness and trust," according to French officials. A joint statement on detente is expected after a second meeting tomorrow.

After a wreath-laying ceremony at the tomb of the unknown soldier under the Arc de Triomphe, Mr. Kadar this morning met M. Jacques Chirac, mayor of Paris and leader of the Gaullist RPR Party. A series of private talks before a dinner with Prime Minister Raymond Barre this evening included the French Communist secretary-general, M. Georges Marchais, and Socialist leader M. Francois Mitterrand.

Mr. Kadar said last night a number of possibilities for increasing trade ties between France and Hungary remained unfulfilled. New framework agreements are expected to embrace sectors such as energy, chemicals, copper and aluminium.

Call to converge EEC economies

BY PHILIP RAWSTORNE — STRASBOURG, Nov. 16.

THE EUROPEAN Parliament tonight called for the immediate introduction of Community and national policies that would ensure the convergence of the economies of the member states. Guidelines should be issued for national monetary credit and budgetary measures that underpin the proposed European monetary system, it suggested.

Thoughout a debate on the Franco-German proposals, MPs emphasised that the EMS would not be practicable unless urgent steps were taken towards a common economy policy. Inadequate co-ordination of national development would lead to stresses that would break the system, said MPs.

Lord Ardwick, the British Labour peer who opened the debate said a lasting convergence of national economies was vital. "That does not imply that national policies must be identical or that performances must be equal" he said. But member states would have to agree on priorities.

"The closer the convergence, the fewer realignments of parities would be needed. Increasing divergence, would mean death to stability." Lord Ardwick said that a "less perverse" flow of resources within the Community would be needed. The system should not be deflationary but "on the side of growth and full employment."

The timing of the debate was apparently mishandled by the Parliament's bureau. Mr. Roy Jenkins, president of the Commission, who had wanted to take part, had to leave for Brussels before the debate began. Most other MPs including the British delegations, left soon afterwards. Only some 30 of the 198 MPs remained in the chamber. But Parliament's support for the EMS proposals was still vigorously expressed.

The Socialist group, highlighting the British Labour Party's virtual isolation on the issue, strongly reaffirmed its commitment to the EMS plan and to eventual economic and monetary union.

Lord Ardwick, in his report, on behalf of the parliament's Economic Committee reflected the overwhelming view. "Political will has asserted itself over the timorous technicians of monetary and economic affairs," he declared.

He said that he did not share the general scepticism of the British Labour Party. "I still find grounds for hope that in spite of grave political difficulties and economic difficulties of timing, Britain will in the end participate."

The proposed system could be a stepping stone to economic and monetary union, Lord Ardwick said. "But there is nothing in it to compel the Community ever to go beyond that stage," he said. The EMS proposals should be considered solely on their own merits.

M. Francois Ortoli, vice-president of the Commission, later assured MPs that the Council of Ministers would tackle at its next meeting the question of bringing into line the economies of the Nine. The EMS would not be "just another snake." It was designed to encourage both stability and economic growth and would require integrated action far beyond mere monetary intervention, he said.

Herr Manfred Lahnstein, West German Deputy Finance Minister, told the parliament that all the technical problems raised by the Bremen proposals would be settled through compromises at the December council.

The Council of Ministers still assumed that all the member states would participate in the system from its establishment.

Ford lay-off aid rejected

By Our Own Correspondent — AMSTERDAM, Nov. 16.

The Dutch Social Affairs Ministry has refused to allow Ford Nederland to draw on State funds to meet the wages of workers laid off as a result of the Ford strike in the UK.

A Ford request for 1,200 of its Amsterdam assembly plant workforce to be officially registered as working "short-time" was turned down by the Social Affairs Minister, Mr. Willem Albeda. This means Ford will not be able to claim 80 per cent of its employees' wages back from unemployment funds.

The Minister is not required to make any payments to companies affected by a strike within the company or at another company. This would amount to influencing the course of the strike in England, Mr. Albeda said in a letter to the company.

A Ford official said today that the company was considering an appeal to the Council of State. Refusals by the Minister are rare but earlier this year he rejected a request by DAF Trucks to put workers in Eindhoven on short time because of a strike at a DAF factory in Belgium.

Labour News, Page 14

Finland price rise

Finland's consumer price index index rose by 0.5 per cent in October from September and by 6.1 per cent from October, 1977, the Central Bureau of Statistics said yesterday, AP-DJ reports from Helsinki. The 0.5 per cent rise was largely due to higher prices for clothes, shoes and household appliances, the bureau said.

Swedish population

Sweden's population growth is stagnating and in the 1980s the number of inhabitants will start declining, according to a population prognosis fo rthe period 1978-2025 released in Stockholm yesterday by the Swedish Statistical Bureau. Life expectancy will increase, as will the number of elderly people. The number of children will, however, decrease, the Bureau said.

Peace prize worry

The Norwegian Nobel committee said yesterday that the Oslo University Aula concert hall is not considered sufficiently secure for the December 10 ceremony when the peace prize will be awarded to the joint winners, President Anwar Sadat of Egypt, and Prime Minister Menahem Begin of Israel, AP report from Oslo.

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Two Germanys sign traffic pact

BY LESLIE COLITT — EAST BERLIN Nov. 16.

EAST AND West Germany today signed a series of long-term agreements here that will strengthen West Berlin's ties with West Germany while providing East Germany with a source of badly-needed hard currency amounting to some DM 7.1bn (£1.9bn) over the next 11 years.

At the heart of the "transport and traffic agreements," signed at a low-key ceremony, is the construction of a 75-mile stretch of autobahn between West Berlin and Hamburg across East Germany for which the Bonn Government will pay DM 1.2bn. This first new autobahn link between Berlin and West Germany since the Second World War is to join an autobahn opened earlier this year between Berlin and Rostock.

It will cut in half the current four-hour driving time between West Berlin and Hamburg, and will provide East Germany, Czechoslovakia and Hungary with faster access to the important port of Hamburg.

Herr Kurt Nier, East Germany's Deputy Foreign Minister, who signed the documents with Herr Gunter Gaus, West Germany's permanent representative in East Germany, said the agreements "maintained the principle of providing one service in exchange for another." Herr Dietrich Stobbe, West Berlin's mayor, stressed the "fastening together" of the two Germanys which he said is built into the new agreement.

The first DM120m instalment payment for the autobahn is due in March; construction will start in June and will take until mid-1982 to be completed. East Germany has agreed to purchase some DM 100m worth of road building machinery from West Germany. Although the West German contribution per mile is considerable, it is seen by Bonn as part of the price to be paid to obtain improvements for West Berlin which lies 110 miles inside East Germany.

West Germany has also agreed to raise to DM 525m its annual road toll payments to East Germany for travellers using the four roads between West Berlin and West Germany. East Germany, in addition, is to re-open the portion of the Teltow Canal running through West Berlin which will shorten by two days the barge trip from West Germany to West Berlin and make this form of transport even more competitive.

West Germany is to pay the East German government DM 70m for the re-opened canal and another DM 120m to repair and dredge the Mittellandkanal and Elve-Havelkanal linking West Berlin and West Germany.

THE ZAIRE ECONOMY

Creditors press for economic and political reforms

BY MARK WEBSTER

JUST ENOUGH western aid is reaching the vast central African republic of Zaire to keep its sick economy from dying on its feet. But the slow, steady transfusion of aid has ensured that President Mobutu Sese Seko the autocratic pro western head of state has kept a tight hold on the reins of power despite an inefficient bureaucracy, dispirited army and widespread, if fragmented, opposition.

The May war in the vital southern mining province of Shaba delivered a crippling blow to an already shaky economy. Since then, observers say, the west has based its policy towards Zaire on two major considerations. The first is to maintain a regime in Kinshasa which will provide a bulwark against the spread of Soviet influence in central and southern Africa. The second is to recoup some of the estimated \$2 to \$3bn in accumulated debt and to clear the mounting arrears of interest and principal on government and commercial bank loans.

Western economists agree that the overall picture of Zaire's economy remains gloomy. The country is still struggling to get out of the economic pit which it dug by borrowing excessively abroad during the heady days of rising copper prices. The fall in the price of copper in 1974 was compounded by ill-conceived nationalisation plans in 1973-74 and the lack of a co-ordinated management structure. Throughout the same period agriculture was neglected so that a country which was self sufficient in agriculture at the time of independence is importing an estimated \$300m of foodstuffs a year.

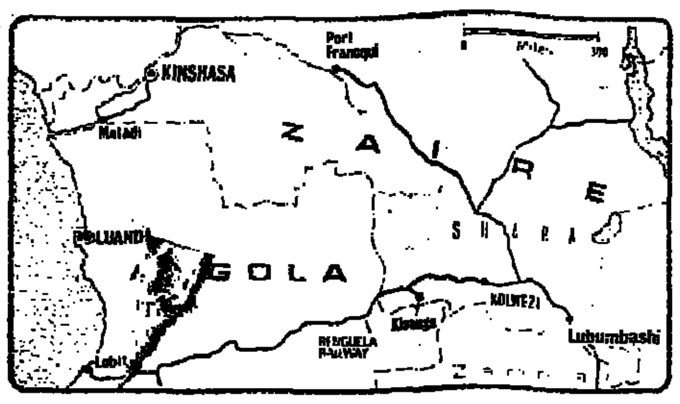
Reliable statistical information about Zaire is as scarce as foreign exchange in its central bank but there has been no apparent improvement in the 5 per cent negative growth rate recorded in gross domestic product for 1976 and 1977. Manufacturing industry is said to be running at one-third of capacity because of a chronic shortage of spare parts and raw materials. Foreign exchange is so tight that only dribs and drabs of foreign aid bump up the falling receipts for mineral, diamond and coffee exports. Though overall exports are only thought to have fallen 5 per cent during the last year allegations continue that much of the money goes straight to foreign bank accounts. Inflation is running at around 60 per cent.

Zairean diplomats complain that the western governments which rushed to help Zaire back in June when the Mobutu Government was in imminent danger of collapse have been slow in making their contributions to the \$90m emergency aid programme agreed at the time. Nearly six months later only two-thirds of the aid has actually reached the country and the Zaireans say that substantial new allocations of emergency aid will be neded soon. At a recent meeting of the "club" of major western government creditors in Brussels the Zaireans urged faster payment of the promised aid.

There is also a mounting backlog of payments on commercial debt. There are reports from bankers that Zaire is now \$200m in arrears on payments of principal for commercial loans though the country has paid an estimated \$60m into a special account with the Bank for International Settlements. It is also said to be up to date with interest payments. The prevailing view is that there will be no formal rescheduling of commercial debt (unlike the December rescheduling of government debt) because the banks are allowing back payments to pile up. They are gambling, bankers say, that a quick pick up in receipts for any of Zaire's major exports will allow the banks to recoup their debts more quickly.

At the same time the commercial banks have shown no inclination to commit themselves to further loans. A \$220m loan from a consortium of banks headed by Citibank which was due to be signed just before the invasion of the Shaba province is still held up until an agreement can be reached on a stabilisation plan being worked out by the International Monetary Fund.

Nonetheless, there is general agreement among economists that the first slender shafts of light are penetrating Zaire's economic gloom. The western creditors are thought to have taken maximum advantage of



the plight in which President Mobutu found himself during the summer to insist on far reaching economic and political reforms which had previously been unacceptable to the government. The IMF had been negotiating for some time with Zaire about a stabilisation plan but the Zaireans had apparently baulked at the scale of sacrifice they would have to make. For as one economist put it: "When you talk about putting Zaire's economic house in order you are not thinking of a lick of paint but new foundations."

On both the economic and political fronts the first fruits of the west's arm twisting can be seen. On the economy, the presence of a five man IMF team led by Herr Erwin Blumenthal has done much to convince international creditors of the sincerity of Zaire's recovery programme. The team's first job, observers say, will be to compile some reliable data on which to base future predictions for growth and development. Another IMF team will shortly take up residence in the finance ministry.

One immediate effect of the IMF's presence was the 10 per cent devaluation at the beginning of this month of the grossly over valued zaire. Measures have also been introduced to make sure that 30 per cent of all export receipts are deposited with the central bank and some effort is being made to contain corruption. On the basis of the data already available the western nations have agreed to finance a maximum balance of payments deficit for 1979 of around \$660m. Thirty per cent of the money will come from the IMF provided Zaire carries out monetary reforms.

On the political side President Mobutu has also made some progress. The rapprochement which has taken place between himself and President Agostinho Neto of Angola could prove crucial in a long term plan to stabilise central and southern Africa. For the moment it has brought immediate economic benefits with the reopening of the Benguela railway line to the Angolan port of Lobito.

While Benguela was closed, Zaire had to depend on the long rail route through Zambia and Rhodesia to the South African port of East London plus its own precarious rail and river route to the port of Matadi. Once the Benguela route becomes operative it will also help Zambia whose copper exports now have to leave through the congested Tanzanian port of Dar es Salaam. The heads of state of the three countries will meet soon to discuss details of the railway and also, it is thought, to forge a common policy towards their neighbour South Africa.

South Africa could well prove the fly in the ointment of the three countries efforts at friendship. The third faction in the Angolan civil war, Mr. Jonas Savimbi's Unita is still thought to be receiving South African aid and has threatened to disrupt the Benguela rail route.

But the Zairean revival still hangs on many unknowns. Copper exports are back up to around 380,000 tonnes a year having fallen, partly because of Shaba, from 450,000 tonnes. Cobalt production has been maintained to safeguard Zaire's hold on 80 per cent of the world market and the price has soared to £21,000 a tonne from £8,250 a tonne earlier this year. The coffee harvest is said by the Zaireans to be around 80,000 tonnes but they admit that petrol production is down 17.5 per cent.

Although the Zairean economy is far more widely based than many of its African neighbours —notably Zambia — it must wait for an upturn in world prices before it can hope to right its balance of payments deficit. It is only once there are real signs of an improvement in the payments position, observers believe, that the West will go ahead with the \$1bn worth of new investment which the Zaireans are said to be asking for.

The new investment plan would only follow the successful completion of an IMF stabilisation plan. But provided that is completed the new investment will fall into four main sectors: transportation, road and rail; agricultural reconstruction; mining and general industrial rehabilitation. If all those sectors are encouraged, economists believe that Zaire is still potentially one of the richest countries in Africa.

Amin army withdrawal 'complete'

By John Worrall

NAIROBI, Nov. 16.

DESPITE conflicting reports and without the benefit of objective on-the-spot observers, it appears that President Idi Amin of Uganda has completed the withdrawal of his troops from the 700-square-mile Kagera salient inside Tanzania, which he has occupied for two weeks.

Tanzanian troops, however, according to Tanzania radio, are pressing on with their counter offensive in this area. According to some sources, Tanzanian troops have crossed the Kagera River, but it is difficult to see how. The river is in flood and President Amin's men blew up the only bridge when they reached the river line last week.

Uganda Radio today is saying that President Amin watched the withdrawal of his men. He said he was surprised at Tanzanian reports that troops were attacking his forces on the western shore of Lake Victoria. "I saw only three dogs and two cats," he said.

Earlier, Amin told a Nigerian mediation commission headed by Lt.-General Danjuma that he was prepared to fly to Dar es Salaam "in under an hour" to talk to President Nyerere. Meanwhile in Tanzania President Nyerere seems determined to follow the retreating Uganda troops into Uganda. An austerity campaign has been initiated.

Islamabad N-bomb device ban 'too late'

BY SIMON HENDERSON

EFFORTS BY the British Government to prevent the export of equipment which it believes Pakistan wants in order to manufacture a nuclear bomb appear to have come too late.

A shipment of the equipment, known as inverters or frequency changers, was made in August before an export control law was amended following the spotting of the loophole by Mr. Frank Allaun, Labour MP for Salford East.

In a written Parliamentary question, Mr. Allaun had pointed out that the equipment could be used in the manufacture of nuclear weapons. Inverters ensure continuity of electrical supply and are used by British Nuclear Fuels and most power stations in this country.

In a letter to Mr. Allaun this month, Mr. Michael Meacher, the Parliamentary Under Secretary of State for Trade, describes the August shipment as unconnected with a second order worth £1.25m, which is to be prohibited.

But a spokesman for the manufacturer, Emerson Electrical Industrial Controls, of Swindon, said yesterday that the delivered equipment was identical to the second contract and it had been destined for the Pakistan Government.

It is understood the consignment was addressed to the director-general Special Works Organisation Rawalpindi. The Pakistan Embassy in London refused to give the name of the director-general denying the existence of any such organisation. It is not listed in the Rawalpindi telephone directory but the name is similar to the Frontier Works Organisation the army unit which built the Karakoram highway linking Pakistan with China.

The significance of this first sale is that inverters are based on a complex concept but can be manufactured easily from readily available components.

The consensus of international diplomatic opinion is that Pakistan wants to build a nuclear bomb, and Mr. Zulfikar Ali Bhutto, the former Prime Minister now under sentence of death, has said the country was on the verge of full nuclear capability when he was overthrown in July 1977.

France recently went back on a contract to supply Pakistan with a nuclear reprocessing plant because of insufficient safeguards for its by-product, plutonium, which can be used in the manufacture of a nuclear bomb. Observers believe Pakistan is trying to build up its reserves of enriched uranium, which can also be used to make a bomb. The country has an experimental reactor near Islamabad and a Canadian-built commercial reactor in Karachi. Canada stopped supplies of uranium for this plant in late 1976 because it was not satisfied with the safeguards.

Emersons' second and unfulfilled contract with Pakistan has not yet been cancelled despite the amendment to the Export of Goods (Control) Order 1978, which came into effect last week. Unlike the first contract, which was made directly with Pakistan, the second is being organised through an agent, Weargate Engineering, of Swansea. Emersons says it does not know who the goods are intended for this time.

● Chris Sherwell adds from Islamabad: Latest reports indicate that construction of Pakistan's nuclear reprocessing plant is continuing at Chasma on the Indus River. But the country still lacks the sensitive technology to complete the plant, and any attempt to "go it alone" will demand time and money which the country can ill afford.

General Zia-ul Haq, Pakistan's military leader, has repeated in an interview this week that Pakistan does not intend to manufacture nuclear weapons. An apparently authoritative article in a recent issue of the Pakistan Economist, however, says that while a reprocessing plant cannot be part of a programme for making nuclear explosives, the "relatively unsafeguarded uranium route" would be better.

Pakistan has no enrichment plant but is believed to possess enriched uranium in a research reactor in Islamabad.

Pakistan to ban interest

BY CHRIS SHERWELL

ISLAMABAD, Nov. 16.

PAKISTAN WILL move in stages to eliminate interest from its banking and financial system, Professor Khurshid Ahmed said here today. Prof. Khurshid is the key administrative figure behind the country's attempts to align itself with the requirements of Islamic law.

He said the reforms would be made gradually but refused to say when they would be made. The first stage would affect lending by banks for consumption and investment purposes and only when that is complete would there be a reorganisation of the banking system itself.

The military Government's economic departments are known to have been concentrating much of their attention in recent weeks on the proposed changes, which will also include a wealth tax and a tax on land produce. The reforms are being made largely at the instigation of General Zia-ul Haq, Pakistan's military leader, and orthodox religious parties in his civilian Cabinet.

Prof. Khurshid said the new system would not be introduced before the end of the year. The Government would be standing by its commitments to pay interest to international lenders, but added that even foreign dealings would eventually be affected by the changes.

Pilgrim airliner crashes

COLOMBO, Nov. 16.

AN AIRLINER full of Moslem pilgrims crashed while trying to land at Colombo airport last night. Sri Lankan officials reported that 199 of the 262 people on board were killed.

A total of 63 survivors was reported from the Icelandic Airways DC-8 which crashed in flames in a coconut plantation, four miles from the airport runway, while trying to land during a storm. Thirty of the survivors were taken to hospital and six were listed as critically hurt.

The airliner was a charter flight for Moslem pilgrims returning from Jeddah. Most were travelling to Banjarmasin in South Kalimantan (Borneo).

One of the survivors was Brigadier-General Soebagio of the Indonesian Army, who said he escaped with bruises and some burns. Police said an air hostess was the only survivor of the crew, but Icelandic Airways and Lloyd's Agents in Colombo both reported five crew members escaped.

Reuter

Eric Short writes: It is understood that the aircraft was insured for more than \$12m (£6.1m) of which about two-thirds was placed on the London market. Settlement of the claim on the hull insurance is likely to take place within 24 hours. There is no indication of the expected amount of liability claims to be made on behalf of the passengers. It could be months or even years before they are settled completely.

OVERSEAS NEWS

Mideast peace talks hinge on message from Sadat

BY DAVID BUCHAN

WASHINGTON, Nov. 16.

THE FATE OF the stalled Egyptian-Israeli peace negotiations appeared to hang on the personal message from President Anwar Sadat which Mr. Hosni Mobarak, his Vice-President, delivered to President Jimmy Carter this morning.

White House officials declined to comment on the outcome of the meeting, which had led Mr. Menahem Begin, the Israeli Prime Minister, to postpone a Cabinet debate on the peace talks until the new Egyptian proposals are known. These proposals are said to contain separate timetables for Israel to grant autonomy to Palestinians on the West Bank and the Gaza Strip.

The issue of linking an Egyptian-Israeli treaty with progress towards a wider settlement involving West Bank and Gaza Strip Palestinians has bedevilled the peace talks so far. In the face of strong Israeli resistance to such a link, Egypt is now thought to feel that the Jerusalem Government should at least be tied down to a specific and fairly immediate timetable for autonomy in the smaller Gaza Strip, and a more general commitment to negotiate on the West Bank.

Before meeting the Egyptian Vice-President, Mr. Carter denied to a group of reporters at the White House that he might call another summit meeting to break the deadlock, as Israeli newspapers have reported. He expressed his frustration at the pace of negotiations, saying that "I had anticipated that a few days after Camp David we would have an agreement."

But he seemed relatively optimistic that the whole negotiations, which are supposed to conclude with a formal peace treaty by mid-December would not now come unravelled.

● David Lennon adds from Tel Aviv: Israel is waiting anxiously for the return from Washington tomorrow of Mr. Ezer Weizman, the Defence Minister.

Mr. Weizman was due to meet Mr. Mubarak in Washington this evening to hear Cairo's suggestions for resolving the deadlock on the Palestinian issue.

Mr. Moshe Dayan, the Foreign Minister, said today that the Egyptians had raised new demands in the talks and were seeking a special status in the Gaza Strip.

Addressing the Knesset foreign affairs and defence committees, he said that the draft of the peace treaty was almost completed, but the linkage question remained a serious obstacle.

Another major concern to Israel is the level of American financial aid to cover the cost of the military withdrawal from Sinai. Officials here are awaiting a report from Mr. Simcha Erlich, the Finance Minister, who is also due back tomorrow from talks in Washington with American officials.

Parade of power by Iran forces

TEHRAN, Nov. 16.

CONSULTATIONS ON the make-up of a new Iranian civilian Government continued today as armed forces running the country prepared for a major show of strength.

Informal soundings are believed to be aimed at finding suitable candidates for the national government which the Shah has promised will replace military rule once law and order are firmly restored.

Meanwhile tanks will lead a parade along nine routes in the capital tomorrow for Armed Forces Day, which marks the foundation of Iran's modern military forces by the father of the present Shah in 1921.

Supporters of the regime will doubtless view it as a timely display of force to show a restive population that the 11-day-old military Government is firmly in control. In an anniversary message, the Shah has praised the military rank and file who "have proved their devotion to the country and to its prosperity and are ready for any type of sacrifice." He also voiced "heartfelt satisfaction with the officers, soldiers and employees of the Imperial Armed Forces. . . ."

The Shah's remarks were apparently designed to drive home the message that he still has solid army backing despite the months of protest elsewhere.

Iran appears to be poised in uncertain balance between a gradual return to normal and continued economic and political disruption. Occasional street violence still flares despite the presence of the military in most towns of any size.

Witnesses reported a minor clash today between armed forces and demonstrators on Tehran's Istanboul Avenue. Police also fired in the air to disperse demonstrators, wounding four, in the south-western town of Behbahan last night.

But the state-run oil company reports continued slow improvement in the industry after the three-week strike which cost nearly $1bn, according to unofficial estimates, in lost production and exports.

The company said production was gradually returning to normal. Refining and loading of supertankers in the Gulf was also proceeding.

Partial strikes continue in some installations, with workers demanding an end to martial law, freedom of political prisoners and expulsion of foreign experts. But in other important sectors, such as the petrochemicals industry, the official Pars news agency reported settlement of strikes at plants in Abadan and Shahpur.

Reuter

Money supply worries HK

By Anthony Rowley

HONG KONG, Nov. 16.

MR. PHILIP HADDON-CAVE, the Hong Kong Financial Secretary, said here today he would be watching the growth of the money supply "very carefully," and considering what measures might be taken to restrain it.

His remarks to the Official Legislative Council coincide with mounting general concern about growth in the money supply, which one prominent American banker described today as "alarming."

The Financial Secretary noted that the broadly defined money supply (M2) had increased by 30 per cent by September 30, compared with the previous year, with bank lending accounting for 78 per cent of this growth.

Mr. Haddon-Cave said he did not believe that the measures to restrain money supply growth would have to be invoked, but indicated that the whole question of interest-rate determination must be given further thought. Rates are now decided by a cartel of private banks, which recently decided on two fairly sharp rises, but has been criticised for not reacting more quickly and more smoothly to rising rates elsewhere, thus causing a net outflow of funds from Hong Kong.

Mr. Carl Gustavso, Chase Manhattan Bank's general manager in Hong Kong, said today he had been "alarmed" by the money supply growth and felt that the rate-fixing cartel had acted "responsibly but late" in raising interest rates recently.

Mr. Haddon-Cave said he is sticking to his recent forecast of a 6 per cent rise this year in Hong Kong's consumer price index. Growth rates are still in double figures, he said, but domestic growth must slow to make resources available to the export sector to reduce the trade deficit, which is likely to reach HK$ 7bn (£741m) this year.

Japan's small businesses increase capital spending

BY RICHARD C. HANSON

TOKYO, Nov. 16.

SMALL AND MEDIUM manufacturing businesses in Japan estimate that their capital spending on plant and equipment in the present fiscal year, ending next March, will increase by 12.3 per cent to Y1,209bn, according to a survey released today by the Government-owned Small Business Finance Corporation.

The survey, conducted in mid-October, shows a change from earlier soundings. It covered 8,816 of the 60,542 smaller concerns in Japan.

Capital spending by the smaller sector last year fell 9.9 per cent. The new burst of spending results in part from pressure by large companies who have been demanding increased efficiency from their smaller suppliers so as to remain competitive in the export market despite the sharply appreciated yen.

The Economic Planning Agency said the latest spending projection for the smaller companies was slightly below large-industry projections in recent samplings, but it noted that the big business totals were heavily weighted toward spending by the electric power industry.

Most of the expected investments for small companies, employing from 20 to 299 workers, will centre on new higher-performance equipment.

Israel price index rises

BY L. DANIEL

TEL AVIV, Nov. 16.

THE ISRAELI consumer price index rose by by an unprecedented 5.7 per cent in October, due to a big jump in the prices of flats, clothing and footwear. The increase brought the cumulative rise in the index for the first 10 months of this year to 35 per cent.

As the November and December index will reflect the higher cost of fuel, water and other items introduced at the end of October, as well as the 15 per cent plus wage increases just negotiated for the public services, the total for 1978 is likely to be at least 42 per cent.

The governor of the Central Bank has been calling for restraint in Government expenditure for months, but the civil service has grown and a supplementary budget is at the committee stage.

The Treasury and the trade unions blame each other for the run-away inflation, and labour troubles are likely to spread. Trade union leaders are calling for strike action and demanding a revision of both the cost-of-living allowances (from a semi-annual to a quarterly payment), and full compensation for rises in the index, instead of the previous 70 per cent. The Deputy Finance Minister has indicated that he does not intend to accede to this demand.

Tourism talks

BANGKOK, Nov. 16.

A SIX-MEMBER delegation led by a former Thai foreign minister has arrived in Phnom Penh to discuss the possibility of reopening the ruins of Angkor to foreign tourists, the official radio Phnom Penh reported Thursday.

Angkor has been closed to visitors since the Communist victory over the Government of Lon Nol in 1975.

AP

French offer to refugees

BY DAVID WHITE

PARIS, Nov. 16.

FRANCE IS prepared to accept Vietnamese refugees who have been stranded off Malaysia for a week on board the freighter Hai Hong. Malaysia has refused to admit them.

In the first official offer of hospitality to the 2,500 Vietnamese, half of whom are children, M. Olivier Stirn, secretary of state at the French Foreign Ministry, told the National Assembly that France was ready to admit those who wished to come to France.

Malaysia's denial of admission is based on the ground that the Hai Hong's passengers, who paid to leave Vietnam, are not genuine refugees.

M. Stirn cited France's "tradition as a land of asylum." It is not clear how many will want to come to France, which has accepted 45,000 refugees from Indochina since the Communist victories in the former French protectorates of Cambodia, Laos and Vietnam.

The Hai Hong group would be admitted in addition to the regular French entry quota of 1,000 a month. The standard criteria for entry are a knowledge of French, or family or other links with France.

Australian minerals row

BY JAMES FORTH

SYDNEY, Nov. 16.

THE PREMIERS of Australia's main minerals exporting states, Queensland and Western Australia, have stepped up their campaign to persuade the Federal Government to abandon its recent decision to tighten export controls over several minerals.

Mr. Joh Bjelke-Petersen, the Queensland Premier, sent a strongly worded telex message to Mr. Douglas Anthony, the Minister of Trade and Resources and Deputy Prime Minister, after a meeting in Brisbane today with representatives of 15 large mining companies.

Sir Charles Court, the Western Australia Premier, has also sent telex messages to executives of major mining companies setting out the state's opposition, and reminding the companies that their "main contracts and main interests lie with the states from whence they get their rights to mine and where they undertake their basic operations."

The dispute started late last month after Mr Anthony, on the eve of a visit to China, announced that the Government would effectively control future terms governing the export of iron ore, coal, bauxite and alumina.

Mr. Anthony said the companies could still negotiate contracts, but that the Government would decide the parameters, including pricing provisions, tonnage, and duration. Companies would have to obtain specific approval before they could enter into negotiations, and would have to go back for approval if they sought to negotiate outside the parameters.

The Federal Government has expressed concern that the depressed world economy had resulted in Australian companies, accepted contracts which were too low, especially from Japan.

The policy provoked a strong reaction from the state Premiers, many large mining companies and money of the Government's own backbenchers. It turned out that Mr. Anthony had neither notified Mr. Malcolm Fraser, the Prime Minister, of the details of his announcement before he delivered it in parliament, nor cleared it with the Cabinet.

Mr. Fraser then declared the new guideline policy was in draft form only. He said that the companies would be consulted and their comments taken into account before the policy was finally settled. Despite this, the Department of Trade and Resources is already implementing the new policy for the coal negotiations.

After today's meeting, Mr. Bjelke-Petersen said that the policy could hinder several negotiations now taking place between companies operating in Queensland and markets in Japan and elsewhere. There has already been a cool response in Japan to the new policy announcement.

AMERICAN NEWS

King Juan Carlos

Spanish King starts Mexican visit

By William Chislett in Mexico City

KING JUAN CARLOS arrives here today in a visit which sets the seal on the new trend in relations between Mexico and Spain.

Mexico was one of the fiercest critics of the Franco regime, being the first country to send arms to the Republican forces in the Spanish Civil war and afterwards offering refuge to thousands of exiles. Not until March 1977—more than a year after the death of the dictator—were diplomatic relations between the two countries restored.

Now the old, dilapidated Spanish embassy in Mexico City, which continued to act as the Spanish (Republican) embassy under Franco, is up for sale, after being handed back to the Spanish state when diplomatic relations were restored. There is a new, far plushier embassy at the other end of the city, where the old remaining exiles will gather to drink the health of the new Spain with the King.

Sr. Jose Lopez Portillo, the Mexican President, who like so many Mexicans is of Spanish descent himself, went to Spain last year and the King is paying a return visit.

Since relations were restored, trade between the two countries has almost doubled. Last year Spain's exports to Mexico were worth $62m and Mexico's exports $39m.

In the first half of this year Spain's exports totalled $45m and Mexico's $46m. What was a healthy balance in favour of Spain last year is now a deficit, expected to end the year at around $30m, as a result of the export of Mexican crude to Spain. Petroleos Mexicanos (Pemex), the State-owned oil monopoly, signed a contract in June to sell 30,000 barrels per day.

Spain's number one export to Mexico is books, which last year were worth $22m—a third of total trade. While the Commerce Minister will accompany King Juan Carlos, few, if any, significant trade agreements are expected to be signed for, as one Mexican Foreign Ministry official put it, "The visit is symbolic and psychological rather than commercial."

The King will spend most of his time visiting several places around the country and doing what he is very good at: promoting the cause of the new democratic Spain.

The King's visit is in fact the first time that a Spanish King has come to Mexico since the country was conquered over 400 years ago.

Since the death of Franco, Spain has become increasingly interested in Latin America and sees itself as a kind of bridge between Europe and Latin America.

There has also been mention in official Spanish circles, including reference in the King's speeches, to a greater unity among the Spanish-speaking nations—"Hispanidad."

To some this smacks, as one Mexican diplomat put it, of "The mother country gathering all its little children around it." For the relationship between Mexico and Spain, and probably with most Latin American countries, in a love-hate one. Love in the sense that Spain is the mother country and hate to the extent that many Mexicans to this day still feel that Spaniards see themselves as "Conquistadores."

On the economic front Spain is interested in reaching some kind of agreement on participation in the Andean Pact, whose members are Venezuela, Colombia, Ecuador, Peru and Bolivia and so have access to that market for its industrial goods. Mexico is not a member of the pact but has good relations with the countries.

In this respect it is important to note Spain's election in September to the block made up of Central America, Mexico and Venezuela, which is represented before the IMF and the World Bank. As a result, this block, known as the northern part of Latin America, moved up from 62nd to fourth place in the IMF hierarchy.

Ironically there is probably more democracy, if such a concept can be quantified, in Spain today than there is in Mexico. There are some who say that Sr. Lopez Portillo took part of the inspiration for the political reform which he is promoting from the developments in post-Franco Spain.

U.S. COMPANY NEWS

Uniroyal omits final dividend: earnings rise at Arthur Anderson; Dart bid for Mallory makes progress—Page 33

New SEC rules on proxy statements

BY JOHN WYLES

NEW YORK, Nov. 16.

SHAREHOLDERS in U.S. corporations can expect more informative proxy statements for the transfer of voting authorisation from the end of the year. This will follow the first revision in 40 years of how much information is given to the shareholder when seeking his proxy.

The new rules adopted by the Securities and Exchange Commission are a softer version of proposals [illegible] in July which drew [illegible] of complaints from individuals and organisations. According to Mr. Harold Williams, the SEC chairman, the 600 letters written about the proposals was not only the most voluminous reaction to any set of SEC plans, but was also almost universally critical.

Hostile reaction focused particularly on the SEC's plan to require proxy statements to identify nominees for board positions according to three categories: management, affiliated non-management or independent. After a number of corporations had complained that suitably qualified board candidates may be rejected because they could not meet the definition of independent, SEC staff revised the categories to management, related non-management and unrelated non-management.

But the Commission felt that the amendments might still exclude too many qualified people while at the same time drawing undesirable distinctions between various directors. Thus the labelling plan was dropped altogether in favour of requiring companies to disclose a broader range of information about their Board nominees. This will apply to all companies for fiscal year after December 25 and will include:

● Whether a director is a first cousin or closer relative of a management official by "blood, marriage or adoption."

● Whether a nominee is a member of a law firm retained by a company during the previous two years or associated with an investment bank which has performed service for the company during the same period.

● Whether a director has a supply relationship through affiliation with another company which has made payments amounting to at least 1 per cent of the nominating company's gross revenues or proposes to do so in the current fiscal year.

● Whether a director is affiliated with a bank which has made loans to the company greater than 1 per cent of the company's total assets or of $5m, whichever is the smaller.

In addition, companies will also be required to tell their shareholders whether they have audit, nominating or executive compensation committees, and if so, to describe their functions. Directors who attend fewer than 75 per cent of required board and committee meetings must also be named.

But in addition to dropping its labelling proposal, the Commission has abandoned its suggestion that institutional investors should describe in their proxy statements the policies and practices they pursue in voting with their shareholdings in companies in which they hold a stake.

American Airlines' departure attacked by NY city authorities

By Our Own Correspondent

NEW YORK, Nov. 16.

AMERICAN AIRLINES, decision to move its corporate headquarters and 1,300 jobs from Manhattan to the Dallas Fort Worth Airport has brought a chorus of complaint from city authorities.

An angry Mayor Koch called the move "a betrayal" of New York city, and was duly taken aback, not least because Mr. Albert Casey, the company's chairman and president, is a member of the city's emergency financial control board and also on the board of Business Marketing Systems, which was established to retain and attract businesses in the city.

Mr. Casey said his study of the economics of the move indicated that American may save in lease costs and gain in productivity from workers. New York, he said, "didn't begin to match what I got down there."

Said Mr. Peter Solomon, deputy mayor for economic policy and development, "In our discussions with American it became clear that they wanted to move for reasons which appear to be uneconomic." Mayor Koch added that many corporate moves "were largely for the convenience of four or five executives who want to be near their golf courses."

Mr. Peter Goldmark, director of the Port Authority of New York and New Jersey, commented, "We challenged him. We said we'd meet his Dallas deal."

Added Mr. Lewis Rudin, chairman of the Association for a Better New York: "I wonder if these guys in companies who are so worried about short-range cost-cutting realise that they may be doing a disservice to their future customers and markets by running away from the cities into the countryside."

While unhappy about the American decision to leave, Mr. Solomon noted that corporate flight from the city had slowed in recent years. He added that Ebasco Services, an engineering firm with 3,700 employees, and the American Stock Exchange, with nearly 1,000, had decided to say, as had Pan American Airways.

Recession in late 1979 predicted by bank

By John Evans

A FORECAST that the U.S. banks' prime lending rates will climb to 13 per cent by mid-1979, and that the economy will enter a recession later that year was made by Bankers Trust Company in London yesterday.

The bank's money market economist, Mr. Alan Lerner, commenting on the latest U.S. steps to aid the dollar, predicted that U.S. interest rates would peak in mid-1979.

The key federal funds rate would average 12 per cent during the second quarter of 1979, and this would be translated into a prime rate of 13 per cent.

He expected the U.S. economy to experience average real growth of 2 per cent in the first half of 1979, compared with the 3½ per cent growth expected for the last quarter of 1978. The third quarter of 1979 would see no real growth, and by the final quarter a recession would begin.

The key to a reduction in economic activity was the U.S. housing market, which would prove vulnerable to higher short-term rates, Mr. Lerner said.

As mortgage money evaporated, housing starts would slump. That would cause unemployment in housing and related sectors, which would, in time, reduce consumer outlays and create a ripple effect on the entire economy.

Big spenders catch the voters

BY DAVID BUCHAN

WASHINGTON, Nov. 16.

ACCESS to funds is still the key factor in American elections, according to a study just published showing that candidates who outspent their opponents won 85 per cent of this year's contested Senate seats.

The study issued by Congress Watch, A lobbying offshoot of the Ralph Nader organisation which favours public financing of congressional elections, showed that the bigger spender, whether of the Democratic or Republican persuasion, won 28 of 33 contested Senate seats. Two were uncontested. There was clearly a significant correlation between lavish spending and success, the Congress Watch director, Mr. Mark Gren, commented.

Several of the Senate victors, such as Mr. John Warner in Virginia or Mr. Chaires Percy in Illinois are millionaires. The U.S. Supreme Court had overturned a restriction that Congress passed some years ago on the amount that a candidate could spend on his campaign out of his own money, on the grounds that it was an unconstitutional restriction on the individual's freedom of expression. There are limits, however, of $1,000 on what other individuals can give to a campaign, and of $5,000 on what a committee can give.

These restrictions have led candidates to search further afield for a larger number of smaller contributors to their campaigns. A particular case in point this year was Senator Jesse Helms of North Carolina, who raised over $6m from some 270 000 contributors.

Congress as a body has so far firmly resisted for its own elections any such system as has been established for presidential elections, which can now be financed partially out of public tax money instead of private contributions. Both political parties would frown on such a move. Incumbent senators and congressmen have built-in advantages of free mailing, permanent staff and publicity.

Brazil price index up 41%

RIO DE JANEIRO, Nov. 16.

BRAZIL'S CONSUMER price index reached 1,891.4 in October up by 2.9 per cent from September and 41.4 per cent from a year earlier, the Getulio Vargas Foundation reported.

The foundation, whose figures are accepted as official by the Government, attributed the October increase to higher food prices (3.6 per cent) and to a 4.3 per cent rise in public health services rates.

The foundation called the inflationary pressures this year "stronger" than those in 1977. The cost of living rose 35 per cent during the January-October period in 1978 compared with 32 per cent during the same period of 1977.

Government officials are no longer predicting that the 1978 inflation rate will remain under 40 per cent this year. It was 38.8 per cent in 1977.

AP-DJ

Antigua arms shipping confirmed

ST. JOHNS (Antigua), Nov. 16.

ANTIGUA'S Premier, Mr. Vere Bird, says there seems to be definite evidence that a North American company, Space Research Corporation, has shipped arms to South Africa via Antigua.

Mr. Bird said in a broadcast last night that he was consulting other Governments on what action he should take, but he hinted that the company might be forced to leave the island.

"I don't think it is a question for Antigua alone because we are not the only place, it seems, that has been used and if Space Research has to go, it will just have to go."

Space Research, a ballistics research organisation, which recently developed an advanced 155mm artillery system, has test bases on the Caribbean islands of Antigua and Barbados.

It denied last week that it was sending arms to South Africa in violation of United Nations sanctions. "The company does not ship, and never has shipped, any military material to South Africa or any other African state," it said in a statement in Toronto.

The denial came after a BBC television programme which claimed that Space Research had sent at least 40,000 special long-range 155mm shells and guns to South Africa with other equipment.

The report led to demands by opposition leaders in Antigua, which is a British associated state with internal self-government, for the resignation of Mr. Bird.

Charges by the opposition that space research had channelled arms to South Africa via Antigua had previously been met by strong Government denials.

Mr. Lester Bird, Deputy Premier, and one of the Premier's sons, threatened libel action against one leader, Mr. Tim Hector, who claimed that there was a plot to kill him because of his exposures about Space Research.

Reuter

EEC FEARS TOKYO ROUND IN JEOPARDY

U.S. pressed over threat to trade

BY REGINALD DALE, EUROPEAN EDITOR

GENEVA, Nov. 16.

THE EEC was tonight seeking stronger assurances from the U.S. that it will act to avert the threat of a damaging trade war breaking out in the New Year. Without U.S. action, the Community fears that the closing stages of the Tokyo Round of international trade negotiations could be jeopardised, thereby risking a plunge back into protectionism around the world.

If, on the other hand, the U.S. gives satisfactory assurances during three days of intensive negotiations that began here yesterday, Community officials believe that most of the outstanding Tokyo Round issues could be solved between the main negotiating partners (the U.S., the EEC and Japan) by the end of this year. A good deal of tidying-up would, however, remain to be done in the opening weeks of 1979.

The Community's immediate concern stems from the U.S. Congress's failure to extend the life of legislation freeing the Carter Administration from a legal obligation to impose countervailing duties on subsidised imports. After the waiver expires (on January 3) the Administration will find itself legally required to slap duties on up to $700m-worth of imports — despite the obvious danger of retaliation by its trading partners.

In the high level talks here, intended to pave the way for the round's successful conclusion, the U.S. has told the Community that the Administration intends to introduce legislation extending the waiver as soon as Congress reassembles on January 15. But the Community remains concerned about the precise fate of its exports to the U.S. from January 3, particularly if the new Congress does not swiftly approve the legislation.

Mr. Robert Strauss, the U.S. Special Trade Negotiator, has warned the Community of the risk of the legislation developing into a "Christmas-tree Bill," lavishly hung with protectionist clauses. The European Commission, however, today took the view that despite this risk, decisive U.S. Goverment action remains necessary if all Nine member states are to be persuaded to press firmly ahead with the negotiations at next week's Council of Foreign Ministers meeting in Brussels.

The Commission's main aim in Geneva is to secure a strong enough, written undertaking from the U.S. to head off new objections to its conduct of the talks from the more reluctant participants, such as France.

Commission officials are also going to great pains to avoid giving the impression that they are actually negotiating points of serious political substance with Mr. Strauss in advance of next week's Council, at which they will be seeking fresh guidance from Ministers. It is admitted, however, that possible solutions to many of the outstanding difficulties are being [illegible].

The U.S. negot[illegible] also face delicate presentat[illegible] problems. They do not wa[illegible] put their names to written assurances implying, at least in technical terms, their determination to find a way of flouting the wishes of Congress when the waiver lapses. The hope on both sides, however, was that a formula could be hammered out in the course of this evening.

Meanwhile, representatives of the developing countries today told the Community that they were prepared to discuss an EEC proposal that safeguards against cheap imports should in future be applicable selectively. But they strongly opposed the Community's suggestion that it should be possible to impose such safeguards (against one or more selected countries) without prior consultation.

Officials here today were also hopeful that a new international cereals agreements could be concluded by the target date of November 24, although it was admitted that important difficulties remain. The new agreement, setting levels of world cereals prices and stockpiles, is seen as an integral element of the agricultural side of the Tokyo Round

Danish jobs put at risk

BY HILARY BARNES

COPENHAGEN, Nov. 16.

DANISH MEAT canners are giving dismissal notices to some of their workers in case they are hit by U.S. countervailing duties from January 4 if the GATT trade negotiations break down.

The EEC canned meat exporters will be among the first to be hit by the U.S. duties, and the U.S. is a major market for Danish canned hams.

With 30-day advance warning of notice obligatory, the Danish factories are issuing dismissal notices now as a contingency measure.

A spokesman at Jaka, one of the three major exporting companies, said: "We are putting our coats on for the storm, but we still hope it won't break."

Jaka is giving notice to 180 of its 460 employees. Plumrose, another of the major exporters, said it is dismissing 150 of the 400 workers engaged in this division and other factories are planning to dismiss a similar proportion of the labour force.

The Jaka official said that the U.S. duty would raise the price of Danish products by 7-8 per cent. They expected this to cause sales to fall off substantially and if they tried to hold their price to the customers, sales would no longer be profitable.

UK bankers in Peking credit talks

Financial Times Reporter

ANOTHER FIVE British banks are negotiating deposit facilities with the Bank of China. This brings the total currently under discussion between British banks and China to $1.2bn.

The five new banks are understood to be Barclays Bank International, Kleinwort Benson, Midland Bank, National Westminster Bank and Williams and Glyn's. They follow Lloyd's Bank International and S. G. Warburg which have for some months been jointly negotiating a $100m deposit facility with the Bank of China and Standard and Chartered which has also been arranging a facility for the same amount.

These latter facilities are now in an advanced stage of negotiation and are virtually ready for signing by the Chinese. But there is some speculation that since China is at present continuing to place orders on a cash basis the deposit facilities and credit lines may not be concluded until China is ready to award contracts which need to be financed on credit terms.

Anthony Rowley writes from **Hong Kong:** The president of Chase Manhattan Bank, Mr. Willard Butcher, will head a delegation from the bank to Peking next month to offer financial facilities for China's development projects, promotion of U.S.-China trade and ways of broadening Chase's banking relations with China. Chase already has a correspondent relationship with the Bank of China.

China may sign Dm28bn steelworks pact next year

BY JONATHAN CARR

BONN, Nov. 16.

THE WEST German consortium hoping for contracts from the Chinese to build a huge, integrated steelworks in Hopei province does not expect firm orders to be given before the second half of next year.

This was made clear at a Press conference given by Schloemann-Siemag, the consortium leader and one of the world's leading manufacturers of heavy rolling mill equipment.

Herr Heinrich Weiss, the executive chairman, noted that representatives of the consortium which includes Thyssen and Siemens, were currently in Tsientsin to go over technical aspects of the project with the Chinese and to prepare to make a tender.

The total value of the steelworks, whose first stage is due to be complete and working by 1985, could be a maximum DM 28bn (£7.7bn). But it is pointed out that the West Germans are not alone in the hunt for the business. British steel is known to be highly interested, and perhaps the French too.

A key question remains the financing of the project. The Dresdner Bank is ready to head a consortium to put up credit for the Bank of China, and the Dresdner's chairman, Dr Hans Friderichs, has recently been in Peking for talks on the issue.

But Dr Friderichs has made clear that such a credit offer can only be made if Bonn is prepared to support it with Hermes, Government-backed guarantees. Here the problem is that so far the Chinese have been seeking dollar credits while Hermes cover can only be provided for Deutsche mark credits.

For the year as a whole, the company, part of the Gutehoffnungshuette Engineering group, saw after tax profit rise to DM 15.7m against DM 14.3m in 1976-77. Turnover was down by 20 per cent to DM 350m—partly because on-site delays by customers meant that some plant delivered on time could not be put into operation.

The orders intake during 1977-1978 (without subsidiaries) rose sharply to DM 661m against DM 392m in the previous year. Orders in hand amounted to DM 1.8bn on June 30.

U.S. in Peking hotels project

BY OUR OWN CORRESPONDENT

A CONSORTIUM of Hongkong and U.S. hoteliers, including Hyatt International Corporation, is proposing to build 10,000 first-class hotel rooms in China at a cost of about HK$ 5bn (£500m).

Hyatt International president, Mr. Peter di Tullio, recently led a group of architects, hotel managers and administrators, project financiers, and construction company representatives to China for a two-week tour of nine major Chinese cities.

The group visited 20 possible sites for hotel projects, which would include multi-storey hotels in Peking, Nanking and Shanghai and resort hotels in other tourist locales. The group also visited Canton, Hangchow and Soochow.

They were invited by the Chinese Minister of General Administration for Trade and Tourism, Lu Hsieh-chen. Mr. di Tullio said the group signed a letter of intent with the Chinese to continue the study and a concrete proposal would be made in three to six months.

Mr. di Tullio said China had plans to open to foreign visitors another 100 cities, including some in the autonomous regions of Tibet, Sinkiang and inner Mongolia. Many of these hitherto inaccessible areas have not been opened sooner because of the lack of tourist facilities.

The Chinese indicated they would like to see at least a 15 per cent increase in tourism each year.

UK officials hope to heal Malta textiles rift

BY RHYS DAVID, TEXTILES CORRESPONDENT

BRITISH GOVERNMENT officials are hoping that the textile rift with Malta can soon be healed and that talks on next year's level of exports from the island can be resumed.

The EEC decided this month —at Britain's request — to impose restrictions on Maltese exports of six categories of textile products to the UK for the rest of the year.

As a result, the Maltese have declined to take part in talks over the level of exports next year.

With the restrictions due to end on December 31, Malta will be free to resume its exports — but if these grow too rapidly they are likely to be brought under control again next year.

It is now hoped the Maltese will decide not to risk further disruption to their industry which new restrictions next year would bring.

The Maltese have reacted to the restrictions imposed by the Commission by banning all UK textile imports into the island and this action has been backed by an order from Malta's General Workers' Union blacking imported cars and television sets from the UK.

Unrestricted access for Maltese products, it is said, would have undermined the global ceilings secured last year by the EEC with low cost suppliers in the Far East through the GATT Multi Fibre Arrangements.

$92m credit backing for GEC in South Korea

BY MARGARET HUGHES

A BUYER credit of $92m was signed in London yesterday to provide finance for a contract awarded to GEC Turbine Generators by Korea Electric Company of S. Korea.

The foreign currency finance, which was arranged by Lazards and guaranteed by Britain's Export Credits Guarantee Department (ECGD), is being provided by Barclays Bank International, Lloyds Bank International and International Westminster Bank.

The £50m contract, awarded to GEC in May of this year, is for the design and supply of two 1,000 MW turbine generator units with moisture separators and reheaters for South Korea's nuclear units, No. 5 and No. 6.

They will be constructed at Ko-Ri near Pusan, the location of Korea's No. 1 and No. 2 nuclear units. GEC won the contract against competition from General Electric, Westinghouse—which is the main supplier for the nuclear reactor units—and Brown Boveri.

Lazards said that the negotiation of the finance played a "significant role" in the award of the contract to GEC. Because of the "intense international competition" for the order, particularly from the U.S., ECGD had to match the credit terms offered by other countries.

The terms offered have not been disclosed. But, classifying South Korea as an "intermediate" country under the International Consensus on export credits, the interest rate would be 7¾ per cent for credits of over five years. It can be assumed, however, that to match foreign competition ECGD has had to extend terms which are rather more generous than this.

They may well be closer to those offered for pure nuclear plant exports. Credit terms for nuclear plant are outside the International Consensus and are governed only by an OECD "standstill" agreement.

This means that the main exporters agreed some three years ago not to offer more generous terms than they were offering at that time. In the case of the EEC this was 10 to 12 years but for the U.S. 15 years.

Occidental-Soviet deal

BY DAVID SATTER

MOSCOW, Nov. 16.

OCCIDENTAL PETROLEUM, the U.S. oil and chemicals major, today signed contracts worth approximately $250m with two Soviet foreign trade organizations for deliveries to the Soviets of superphosphoric acid for liquid fertilizer production and the purchase from the Soviet Union of ammonia and urea.

The contracts were signed with the Soyuzpromexport and Soyuzchimexport Soviet foreign trade organizations and are the first major step in the commercial implementation of the 20-year agreement on fertilizers between Occidental and the Soviet Ministry of Foreign Trade signed in 1974.

Under the terms of today's contracts, the Soviets are to receive 480,000 metric tonnes of superphosphoric acid in 1979 and Occidental is to purchase 600,000 tonnes of ammonia and approximately 570,000 tonnes of urea. Dr. Armand Hammer, president of Occidental Petroleum, said there had also been agreement on Soviet potash deliveries but contracts would be signed later.

There have already been Soviet deliveries of 350,000 tonnes of ammonia to Occidental under the terms of a previous contract and there will be another 350,000 tonnes shipped to the U.S. next year under that contract bringing total Soviet ammonia shipments to the U.S. next year to 950,000 tonnes.

The contracts signed today, involved the first significant quantities of superphosphoric acid and urea. They were agreed despite what Dr. Hammer said was a $7-8m loss to Occidental last year on the sale of Soviet ammonia due to a declining market.

The 20-year agreement calls for shipment of superphosphoric acid from Occidental's plants in Florida to increase to 1m tonnes and for shipments of Soviet products to also increase with the completion of what Dr. Hammer said would be the world's largest ammonia pipeline.

The prices paid for Soviet ammonia, urea and eventually potash and for U.S. superphosphoric acid are to be adjusted annually so that over the 20-year life of the estimated $20bn fertiliser agreemnt each side will purchase an equivalent dollar value of the other's products.

3-year shipping recovery forecast

BY GUY HAWTIN

THE INTERNATIONAL shipping crisis is now past its worst and demand is slowly improving, according to the German Institute of Shipping Economics. However, the recovery is likely to take two or three years.

Monthly statistics compiled by the Bremen-based institute show that the continual increase in the world merchant fleet which went on for a decade was halted in mid-1978. From then on more tonnage has been scrapped than has been brought into service.

This is good news for the German shipbuilders who have been predicting a crisis lasting well into the mid-1980s. The institute's forecast indicates that recovery will be rather sooner.

British Airways doubles profit

BY LYNTON McLAIN

BRITISH AIRWAYS made a profit of £51m after tax in the six months to September, more than double the profit for the corresponding period last year.

The figures reflect the success of the airline's cheap fares, including reductions on North Atlantic flights and cuts of up to 40 per cent on selected routes to Europe.

The number of passenger-kilometres flown on scheduled services rose by 29 per cent in the six months to the end of September, compared with the same period last year. Air freight services increased by 21 per cent.

The total growth in traffic of 26 per cent lifted British Airways' revenue for the period from £697m last year to £869m this year.

The airline said yesterday that other factors had also helped to double last year's first-half profits of £25m after tax, interest and amortisation of currency losses.

Last year, the airline lost income through the air traffic control assistant's dispute and the need to strengthen the wings of some Trident aircraft.

Success

The success of the cheaper scheduled air fares was emphasised yesterday when the airline said that the capacity of its charter services had fallen by 2 per cent in the six months to September compared with the period last year.

The move away from using aircraft capacity for charters accelerated in the quarter to September 30, when there were 7 per cent fewer charter seats available.

The growth in scheduled passenger air services also gained pace in the quarter to September, with a total growth in capacity of 34 per cent against the same period last year. Total British Airways air traffic rose by almost a third.

UN cash pledge

BRITAIN has pledged £40m to a range of UN activities next year, which include the UN Development Programme, UNICEF, the recently-established UN Industrial Fund, and the Fund for Population Activities.

Consumers' spending estimate revised

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

CONSUMER SPENDING in recent months turns out to have been even more buoyant than at first estimated, according to official figures published yesterday.

The volume of consumers' expenditure between July and September was £16.68bn, at 1975 prices and seasonally adjusted, according to the Central Statistical Office's second preliminary estimate. This represents an upward revision of £38m from the first estimate issued in mid-October.

The revised figures confirm that third quarter spending was slightly higher than the previous peak level at the beginning of 1973, after a rise of about 2 per cent on second quarter level this year.

Spending has risen sharply during the last 12 months and in the third quarter was about 5¾ per cent higher than in the late summer of last year.

This rise was largely the result of the sharp recovery in living standards during the last year. But real incomes are expected to rise much more slowly from now on, and a fall in the level of savings underpins the new Treasury projection of a 2¼ per cent rise in consumer spending between the second halves of this year and next year.

Between the second and third quarters of this year there were increases in expenditure on food, fuel and light, clothing and footwear, and durable household goods. But spending on motor vehicles is estimated to have fallen slightly, as has already been suggested by a levelling cut in new finance house credit.

There has been a particularly large rise over the last year in expenditure on durable household goods—up 12.2 per cent in the year to the third quarter. In the first nine months of this year spending was 10½ per cent higher than in the same period of last year.

Expenditure on cars and motorcycles was 22.5 per cent higher in the first nine months of this year compared with the same period last year—as already reflected in the rise in new car resgistrations.

CONSUMERS' EXPENDITURE

Revalued at 1975 prices and seasonally adjusted: £m

		Total	Food, drink, tobacco	Housing, fuel & light	Durable household goods	Cars & Motor-cycles
1973		65,497	19,904	11,992	3,270	2,668
1974		64,070	19,876	12,105	3,060	1,731
1975		63,192	19,663	12,153	2,968	1,816
1976		63,320	19,836	12,305	3,080	1,977
1977		62,732	19,511	12,547	2,908	1,920
	1st	15,619	4,809	3,109	722	510
	2nd	15,495	4,850	3,156	703	454
	3rd	15,777	4,843	3,151	745	515
	4th	15,841	5,009	3,131	738	441
1978	1st	16,361	5,105	3,166	775	639
	2nd	16,373	5,043	3,204	788	593
	3rd	16,686	5,115	3,225	836	580

Source: Central Statistical Office

Italian oil rig design chosen

BY KEVIN DONE, ENERGY CORRESPONDENT

PHILLIPS PETROLEUM has chosen an Italian design for the production platform for its Maureen Field in the North Sea.

The design contract, awarded to Tecnomare, is for a steel gravity platform, a type that has never been used before in the North Sea.

Phillips has placed the design contract before receiving approval from the Department of Energy for its field development plan.

Approval is not expected for several weeks, but Phillips has placed the contract in order to keep development of the field on schedule.

The Tecnomare design has been used in one other oil province. Four steel gravity platforms were installed on the Luango Field, off the coast of Congo, West Africa, in 1976. They were brought into production this year.

The Phillips platform will probably have capacity for storing 650,000 barrels of crude, an important feature if the Department of Energy clears the company's plan for offshore loading.

The department is thought to be keen to encourage Phillips to pipe the oil ashore, but that method is unlikely to prove economic. Maureen is one of the smaller commercial North Sea fields and is understood to have reserves of 140m-160m barrels.

Advantages

No contract can be placed to build the platform until the department has approved the development plan. It is thought, however, that all Scotland's three steel platform-building yards would be suitable for the work, as well as the Howard Doris yard at Loch Kishorn.

Advantages in the Tecnomare design include the possibility of installing the steel deck and production modules in sheltered water close to shore before the platform is floated out to the field.

Early production wells can be drilled through a template at the field, before the platform is located, so that crude oil production can be started much more quickly.

● Chevron has plugged and abandoned the second well on block 3/23A without making any commercial find of hydrocarbons.

The well was drilled as part of a "farm-in" deal in which Chevron and the British National Oil Corporation have acquired a share in the block from the Ball and Collins 1971 Group.

Last month Chevron announced a *significant find of heavy, low-gravity oil on another farm-in block, 3/28, directly to the south of block 3/23A.*

Tax relief on home loans will be delayed

By Michael Cassell

MORE THAN 4m people with home loans may have to wait until next autumn before receiving additional tax relief on the newly announced higher home loan rate. The [illegible]

The bu[illegible] societies announced a [illegible]ent rise in the mortgage ra[illegible] 11¾ per cent last week but [illegible] Inland Revenue said yesterday i[illegible]ad decided to revert to the [illegible] system of making tax [illegible] adjustments annually.

Last year, for the first time, the Inland Revenue tried to keep up with home loan rate changes as they occurred but it proved difficult.

It said yesterday, "No sooner had we done one change than the rate moved and we had to start over again.

System 1

"We are not computerised, we only wish we were, and with more than 4m borrowers to cope with by hand it takes a very long time."

Under the old system of annual adjustments, tax officials normally act about August after being given a chance to process building society returns made at the end of the tax year.

So the latest rate changes—which could be followed by further adjustments in the next few months—may not be acted upon by the Inland Revenue for at least nine months.

The Inland Revenue did say, however, that if the mortgage rate looked set to remain steady, they could consider earlier adjustments.

The Building Societies Association said: "The decision should not worry anyone too much, especially if he knows he is eventually going to receive the tax relief due.

"The Revenue is not completely heartless and we are certain it will move quickly in *cases of hardship.*"

Accounting disclosure proposal

By Michael Lafferty

BOARDS of directors will have to disclose the precise date on which they approve accounts, under the provisions of a new *draft accounting standard* released yesterday by the Accounting Standards Committee.

The proposal comes in a new exposure draft, ED 23, Accounting for Contingencies. This should bring about much better disclosure of contingent gains in financial statements, according to Mr. Jim Carty, secretary of the standards committee.

The draft says that the following information should be disclosed in respect of contingencies:

● the nature of the condition or situation existing at the balance sheet date.

● the uncertainties which affect the future outcome: and

● an estimate of the financial effect made at the date on which the financial statements are approved by the directors: or a statement that such an estimate cannot be made.

* *Exposure Draft 23: Accounting for Contingencies. Copies obtainable, price 50p, from the Accounting Standards Committee, Moorgate Place, EC2.*

£33,000 for diamond collar

A DIAMOND collar made by Boucheron around 1880 sold for £33,000—the highest price of the day at Sotheby's in a jewels sale which totalled £246,606.

Elsewhere at Sotheby's, the disposal of the collection of military and naval campaign medals gathered by the late Charles Lovell produced a total of £161,298, with the best price yesterday the £1,600 paid by Stanley *Gibbons for a DSO and other* medals awarded to a Lt. Smith between 1896 and 1915.

SALEROOM

BY ANTONY THORNCROFT

Silver contributerd £47,362, and a top price of £1,450 for a George III oval two-handled tray.

At Sotheby's Belgravia, office equipment and scientific instruments brought in £45,302. A Powell and Lealand brass microscope, made around 1880, sold for *£1,700. The Science Museum gave* £600 for a "telephot" button camera of around 1900.

At Lawrence's in Crewkerne, a Solomon Islands bark shield sold for £8,400, while nearby in Bristol, Osmond Tricks sold a watercolour of the bay at Zante by Edward Lear for £3,600 to the Fine Arts Society and a drawing of the Avon Gorge by Turner for £3,100.

At Bonham's, furniture fetched £34,111, with a George III mahogany chest selling for £2,700 and a George II burr walnut bureau bookcase for £2,500. At Christie's South Kensington, a *brown bisque headed bebe doll* made in 1878 fetched £2,200.

Delfont office

LORD DELFONT is the new president of the Printers' Charitable Corporation, succeeding Sir Billy Butlin, whose appeal during the last year raised a record £302,000.

Healey explains why Britain's economic growth will decline

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE REASON why Britain's rate of economic growth is expected to fall off next year is because "manufacturing industry will be unable to stand up sufficiently to competition either in home or export markets." Mr. Denis Healey said yesterday.

This unusually frank admission of the nature of Britain's problems came in a speech by the Chancellor of the Exchequer to a TUC industrial strategy conference in Birmingham.

Mr. Healey's comments came in a section discussing the implications of the Treasury forecasts published on Wednesday, although he said that the margin of error in the forecasts was "enormous" and "the theories on which they are based are of uncertain value."

Car output

The forecasts are relatively pessimistic, pointing to only a slow growth of manufacturing production next year, but a further increase in import penetration and a deterioration in the volume of net trade in manufactured goods.

Mr. Healey said the problem was not a shortage of demand but of supply. "Those who believe that we can solve all our problems simply by pumping more money into the economy should look at the motor industry."

Last year car registrations rose by 3 per cent, but production of cars in the UK fell by 6 per cent and sales of British cars declined by 10 per cent. In the first nine months of this year—before the Ford strike—demand for cars in Britain rose by 24 per cent while car output increased by only 1 per cent.

The performance of manufacturing industry was the central problem. "Most of the other sectors in the economy—agriculture, retail distribution, the financial services, tourism and so on—are highly competitive."

But there were "shining exceptions" even in manufacturing as 10 per cent of Britain's companies seemed to be better than the international average and nearly a fifth just as good.

"That suggests to me that the problem does not lie in some difference in national character between British workers and managers and those abroad, or for that matter in some fundamental defect in the economic, social or political environment in which British industry has to operate.

"The problem lies on the shop floor and in the boardroom of the individual factory or plant.

By providing the right framework of fiscal and monetary policy and by direct co-operation with particular firms and sectors, the Government has been able to help manufacturing industry to achieve a very substantial improvement in its trading performance over recent years."

Small businesses 'must have aid'

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A FRESH INITIATIVE in the Government's campaign to help small businesses was launched yesterday by Mr. Harold Lever, Chancellor of the Duchy of Lancaster.

He called on Government Departments and large companies to aid them through their buying and other policies.

He also said that the Government was continuing to study the possible setting-up of a loan gurantee scheme for clearing bank loans to small businesses as well as other ways of encouraging private investment.

But Mr. John Biffin, the Conservative Party's new front-bench spokesman on small businesses, said yesterday that a future Conervative Government would not create a special agency to make loans to them at low rates.

He said on BBC radio a few hours after his appointment was announced that such palliatives aimed at special sections of the economy only diverted Ministers from what should be their main task of creating a stable economic and political climate in which businesses could thrive.

Mr. Lever said that there were two main areas where large businesses could help, "not in any patronising sense but arising out of their business relationship and mutual interests." One was where common interests in a locality meant that projects like the London agency could be started.

The other was where there was a commercial relationship with the small business being a supplier, sub-contractor or customer. "The large firm can give practical help in purchasing policy and practice," said Mr. Lever.

Car plant decision may result in legal action

By Kenneth Gooding, Motor Industry Correspondent

THE Puerto Rico authorities are considering legal action against Mr. John DeLorean, who has decided to site his new sports car plant in Northern Ireland.

DeLorean Motor and Group Lotus confirmed yesterday that they are to co-operate in completing design and development of the DMC-12 sports car.

But it was not possible to confirm that the UK authorities, backing the DeLorean venture to the tune of nearly £53m, had steered the American group towards Lotus before finally agreeing the financial package.

Before settling on West Belfast for the site of his plant, Mr. DeLorean spent 18 months negotiating with the Puerto Rico Economic Development Administration about establishing a factory there—a high-unemployment area.

Puerto Rico offered him $25m in aid, and the U.S. Federal Government a further $40m, and he signed an agreement with the development organisation.

The latter *has taken counsel's* advice about the contract but has still to decide whether to carry the matter further.

That was made clear by Mr. José Madera, of the development organisation, in the Thames Television programme, Inside Business, shown in the London area last night and due for showing in other regions this week.

Statement

In New York yesterday, Mr. Madera said the programme presented an accurate outline of his organisation's position and legal action was still under consideration.

In the programme, Mr. DeLorean reacted to the suggestion of action against him by terming it "sour grapes."

The programme pointed out that he was offered the equivalent of £20m by Detroit towards his venture (on the understanding that it be made less ambitious and cut by a third) and £37m by the Republic of Ireland as well as the £33m in Puerto Rico before he accepted the UK Government's offer.

A joint statement from DeLorean Motor and Lotus said yesterday that work had begun at Lotus's plant at Norwich, where running prototypes of the DMC-12 sports car, aimed mainly at the US market, have been delivered and where a joint engineering team from Lotus and DeLorean Motor has been established.

General Motors to spend £10m on Milton Keynes parts depot

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS is to spend £10m on a new central warehouse and distribution centre for car parts and accessories at Milton Keynes, Bucks.

This year GM has announced projects worth £30m for the U.K., including a £15m seat belt plant at the former Rolls-Royce factory in Belfast and a £5m reorganisation of its Southampton air and oil filter manufacturing operations.

GM's warehousing facilities are presently shared by nine locations from Southampton to Liverpool and these will be closed down as the new Milton Keynes establishment comes on stream at the end of 1980.

The 400 employees affected will all be offered jobs and an incentive package to move to Milton Keynes or at least offered positions at one of the five manufacturing plants—making AC Delco components—in Britain.

GM has a 28-acre site at Milton Keynes and the initial phase of the new facility will have 450,000 sq ft of storage space.

Centralisation of warehousing and distribution should cut matreials handling and transport costs, improve customer service and allow modern materials handling systems to be employed, GM pointed out yesterday.

At Milton Keynes, GM will have as a near neighbour Volkswagen (GB), the Lonrho subsidiary which distributes VW and Audi cars in the UK and which moved into a £7.5m headquarters in the new town earlier this year.

Advertisements curb sought

BY MICHAEL THOMPSON-NOEL

COMPREHENSIVE legal controls of advertising are unnecessary, the Office of Fair Trading said yesterday. But the Director General of Fair Trading, Mr. Gordon Borrie, wants powers to seek court injunctions to halt publication of advertisements which seriously breach the code of advertising practice.

According to an Office of Fair Trading survey of nearly 3,000 national and regional Press and magazine display advertisements, 7 per cent were judged to have offended the code of practice. Among the national daily Press, the proportion rose to 11 per cent, and among national Sundays, to 15 per cent.

The biggest offenders were mail order advertisers. Advertisements for new cars, household equipment, horticultural products, financial services, holidays and travel all recorded above-average failure rates.

The report criticises the length of time the authority takes in dealing with complaints. "This meant that on occasions, where the publisher had not already taken action, offending advertisements continued to appear for a considerable time after a complaint had been made."

The Office of Fair Trading suggests that advertisers be given only ten days in which to substantiate advertising claims that are challenged. The report doubts whether sufficient sanctions are available to tackle rogue advertisers.

The survey included a research project conducted by the British Market Research Bureau. A panel of assessors monitored nearly 3,000 print advertisements. Any advertisements which in any way breached the code of practice were categorised as failures. The assessors did not attempt qualitative appraisal of offending advertisements.

From the sample—out of a total of about 25m print advertisements published each year—93 per cent were estimated to conform to the code. The highest failure rates were seen in the national Sundays (15 per cent) and national weeklies and monthlies (13 per cent). The best performers were regional weeklies, with a failure rate of only 6 per cent.

Review of the UK Self-Regulatory System of Advertising Control. Office of Fair Trading, Field House, Breams Buildings, London, EC4 (01-242 2858).

GROWTH OF MONETARY AGGREGATES (£m)

	Money Stock M1		Money Stock M3 Sterling				Bank lending*		Domestic credit expansion	
	Unadjusted	Seasonally adjusted	%	Unadjusted	Seasonally adjusted	%	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted
1977										
Oct. 19	748	594	2.8	669	595	1.4	550	439	277	182
Nov. 16	481	325	1.5	438	296	0.7	97	226	388	355
Dec. 14	663	233	1.1	828	442	1.0	44	308	504	161
1978										
Jan. 18	−256	617	2.8	-60	1,036	2.4	747	192	−349	254
Feb. 15	113	475	2.1	386	1,047	2.4	342	287	214	960
March 15	345	142	0.6	359	292	0.6	309	560	546	598
April 19	813	369	1.6	1,755	1,152	2.5	391	259	2,043	1,431
May 17	201	213	0.9	416	403	0.9	528	739	947	1,113
June 21	−309	−94	−0.4	208	148	0.3	646	540	523	314
July 19	763	409	1.7	935	514	1.1	1,001	554	638	104
August 16	134	15	0.1	−496	−481	−1.0	−164	262	−366	−292
Sept. 20	138	510	2.1	479	570	1.2	12	202	546	713
Oct. 18	487	251	1.0	546	520	1.1	385	327	569	535

* To private sector in sterling including Bank of England Issue Department holdings of commercial bills.

Source: Bank of England

The sterling money stock on the wider definition (M3) showed another sharp rise of 1.1 per cent after seasonal adjustment last month, but its growth so far this year remained below the bottom end of the Government's target range of 8-12 per cent.

At Lloyds Bank International, everything we do adds up to one kind of bank

Resourceful

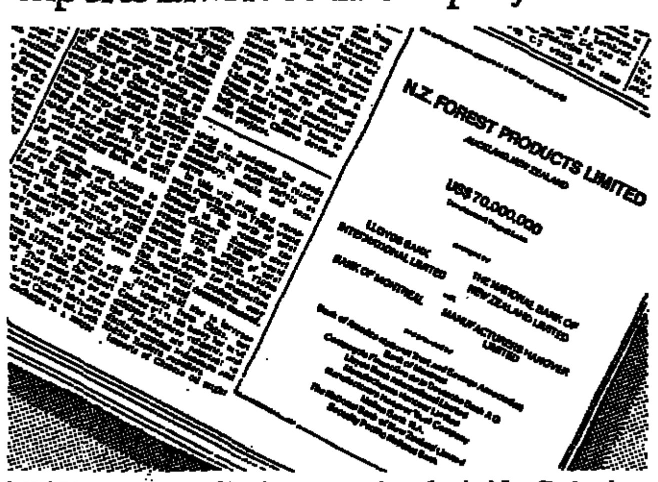
FOR companies and other organisations who operate multi-nationally, Lloyds Bank International has many different resources to offer. Our strength is world-wide. It lies in the skills of our people, backed by the Lloyds Bank Group assets of £14 billion, our ability to mobilise funds quickly in a variety of currencies and in any part of the world, and our detailed knowledge of the international financial stage – the important people, the markets, the opportunities. All these add up to a depth of resources capable of solving your knottiest financial problem.

Eurocurrency leaders

One of our major skills is putting together the right package of eurocurrency finance for our individual customers. In 1977 we managed forty syndicated loans totalling US $6 billion. In 1978 we have been one of the world's foremost banks in lead-managing syndicated euro-currency loans. We are underwriters in over 85% of all eurobond issues, and we are active as managers in this field. So you can see that whenever you need finance, it is worthwhile asking us first about getting the resources together.

Skills in major project financing

Project finance, while it contains a very large funding element, calls for an ability to mobilise a wider range of resources than purely financial ones. Feasibility studies, interpretation of technical data, empathy with the non-banking experts involved in the project

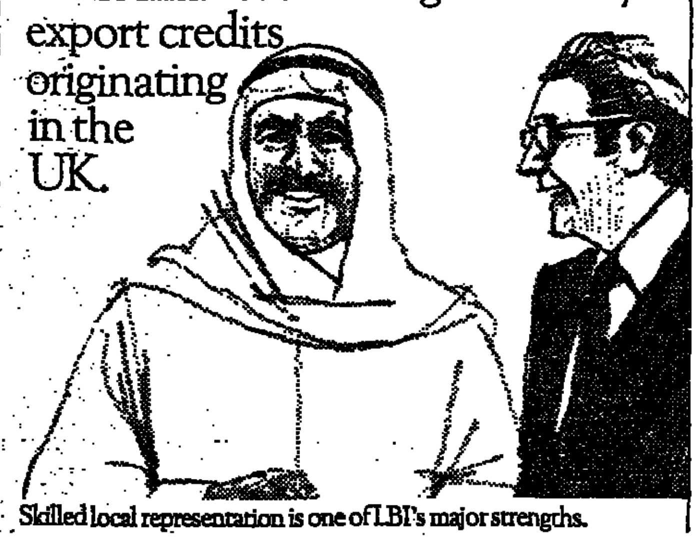


US $70 million part of the financing package for the New Zealand forestry development project.

– our level of involvement in this complex aspect of finance is only matched by the skills we can bring to bear. Among major projects in which we have been involved are a large shipyard development in the Republic of Korea, an iron ore mine in Brazil, an aluminium smelter in Dubai and a liquefied natural gas plant in Iran.

Export credit the know-how

Often a vital part of international financing is the provision of an export credit package, plus the necessary guarantees. The Lloyds Bank Group holds around 25% of the market for foreign currency export credits originating in the UK.



Skilled local representation is one of LBI's major strengths.

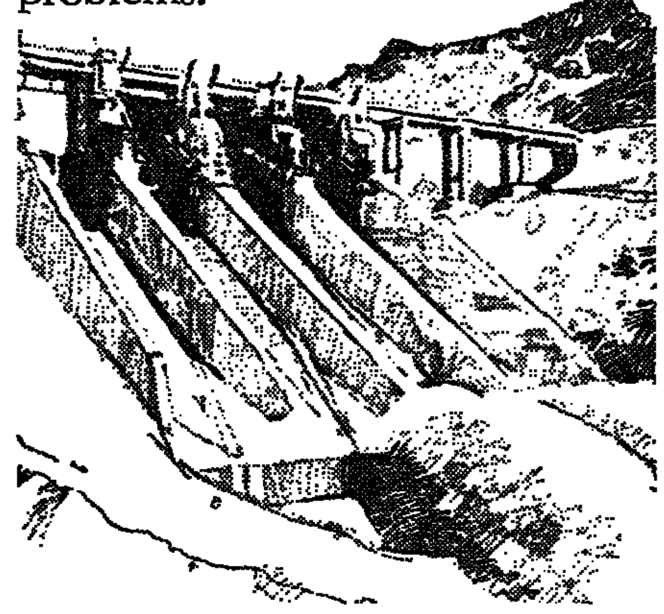
In addition, we at LBI have experts in the right places round the world with the local knowledge to put resources together in exactly the right way. This on-the-spot representation by skilled professional bankers is one of the major assets of the bank. A major resource, if you like.

All the services you need

Supporting these key aspects of

The agreement is formalised after negotiations to match borrowers and lenders requirements.

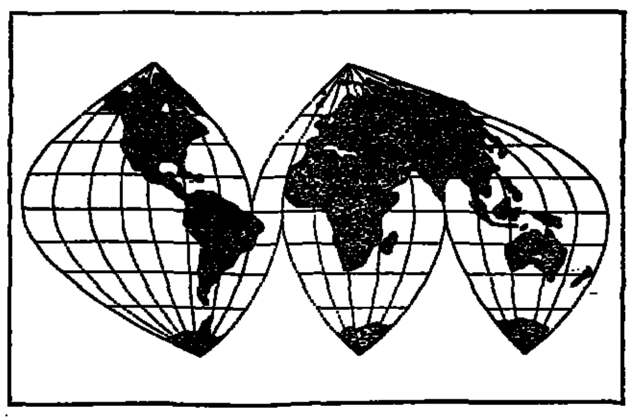
our world-wide activity are all the extra resources we offer in our full range of banking services. For example, we tackle corporate finance from an international point of view, helping you to raise capital in the most efficient way or to make the best use of the money you already have available. Here, our money management service plays a vital part, enabling corporate customers to use the banking systems of the world in a way that maximises return or minimises borrowing requirements. Our investment services broaden the opportunities available to make the best use of your existing funds, either short- or long-term. And to complete the catalogue of the resources we have immediately on call for you, our trust department helps you and your key internationally-based staff to solve a host of legal, taxation and insurance problems.



The Cerrón Grande hydro-electric scheme in El Salvador, part of a major development project of the Comisión Ejecutiva Hidroeléctrica del Río Lempa, construction of which LBI helped to finance.

LBI-the resourceful bank

Think of resources in the broadest possible terms, and you're thinking of Lloyds Bank International. People, skills, assets, in-depth knowledge, mobilisation of the latest techniques and technology – we have them all. And they add up to the sort of international bank we are. Resourceful.



The Lloyds Bank Group has 500 offices on all five continents, with a total of 15,000 employees outside the UK. Representation is particularly strong in all the major financial centres of the world.

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Increase in steel demand appears likely

By Roy Hodson

THE DEMAND for steel in Britain is likely to pick up in coming weeks as stocks are built up at steel mills and warehouses.

Steel stocks have been allowed to run down to abnormally low levels during the steel recession this year. The British Steel Corporation took emergency action to clear its plants and has been operating on the lowest possible stocks.

Consumer steel stocks, meanwhile, have fallen to 3.81m tonnes—the lowest level for several years—according to Industry Department figures, published yesterday.

Deliveries

Consumption of finished steel in the third quarter of the year is estimated at 3.93m tonnes, the same as the previous quarter.

But steel deliveries from the mills to consumers and steel stockholders fell to 2.9m tonnes during the quarter. Previous quarterly deliveries had been running at more than 3m tonnes.

Less than 16 weeks' supply of steel was held in stock by consumers and stockholders at the end of September, according to the department's estimates.

Both the public and private sectors of British steelmaking now believe that limited re-stocking is starting to bring more business and that the process will continue at least until Christmas.

British industry has tended to work on steel stocks in hand of between 17 weeks and 18 weeks in recent years.

High interest rates could hit the re-stocking cycle but so far there are no signs of that happening. The domestic demand for a wide range of steels is stronger than at any time since the industry faced crisis conditions a year ago which resulted in the EEC Davignon protection schemes.

£21m coal subsidy for power stations

BY JOHN LLOYD

THE Central Electricity Generating Board is to receive a subsidy of more than £21m to persuade it to burn extra coal this winter—£4m more than previously publicised.

The Government said last month that it would pay £17m to the National Coal Board to allow it to subsidise the cost of its coal to power stations. The move was made both to help to burn mounting coal stocks and to relieve temporary difficulties in the Board's cash flow.

However, it was not made clear at the time of the Government's announcement that the Coal Board would add more than £4m to the £17m.

The £4m represents the money which the Coal Board would have spent on interest and other charges incurred for producing and stocking the extra coal—which it would not otherwise have sold without the Government subsidy.

The level of subsidy which the total payment puts on a tonne of coal is between £4 and £4.50 over the next six months. There are no firm plans for renewing the subsidy after that period.

Worry

The effect of the subsidy is to bring coal-fired power stations automatically up the generating board's merit order, which is based on which fuel is cheaper to burn, and to lower oil-fired stations on that order. However, there are "knock-on" effects which worry the generating board.

The first has been that the generating board has had to sell off 600,000 tonnes of coal, which it receives as part of a ten-year contract with Australia, at a much lower price than it paid for it.

The coal has been sold at around £5 a tonne less than the purchase price to the French electricity generating authority, a total loss of more than £2m.

The Australian contract specifies delivery of about 1m tonnes of coal a year at £10 a tonne cheaper than UK coal until 1983. If further subsidies are granted to UK coals, it may be necessary to put more of the Australian deliveries on the open market at cut prices.

Coal Board target 'calls for £500m investment a year'

BY JOHN LLOYD

THE National Coal Board must invest £500m every year if it is to meet its target of producing 170m tonnes of coal a year by 2000, Sir Derek Ezra, chairman, said yesterday.

Sir Derek, after a visit to Bevercotes Colliery, Nottinghamshire, described as "short-sighted" those opponents of the Coal Board's plans who pointed to nuclear energy and North Sea oil and gas as reasons for not investing in coal.

Nuclear power stations could not produce petrol, diesel fuels and petro-chemicals. North Sea oil would last for a comparatively short time.

"Estimates vary: even the most optimistic do not speak of more than 20 years, and last week Offshore Operators gloomily predicted that it could be as short as six years."

At least 10 years were needed before a new mine could produce consistently, so the board should be allowed to proceed "as rapidly as practicable—allowing reasonable time for democratic debate" with further development of coal resources.

Over the next decade, about 20m tonnes of annual output might be lost through natural wastage. Immediate replacement was necessary if the nation was not to experience "a dire shortage of essential fuels and energy" by the 1990s.

Sir Derek was speaking near the North-east Leicestershire (Vale of Belvoir) coalfield, where the Coal Board plans to sink four pits in a £500m development, the largest of its future projects.

Local residents and other groups strongly oppose the plans.

"I believe the Vale of Belvoir and the North-east Leicestershire coalfield can produce both food and energy without unduly interfering with each other. We are all concerned with the health of our economy and equally for the preservation of the environment." Sir Derek said.

● Coal Processing Consultants, a joint Coal Board-Babcock and Wilcox subsidiary, has received a contract from the Department of Industry to investigate methods of recovering useful products such as oil and gas from the 13m old car and lorry tyres destroyed each year in the UK.

A pyrolysis treatment process is believed to be capable of yielding oils and other residues for use in the chemical industry to make fuel oils and carbon black.

Liverpool's port loses £2m profit

By Lynton McLain

SEVERENCE PAYMENTS to more than 300 dockers at the Port of Liverpool are expected to cut profits by almost £2m for the financial year ending in December, Mr. James Fitzpatrick, the port's managing director, said yesterday.

Mersey Docks and Harbour Company, which runs the port, made a trading profit of £4.6m to December last year, compared with £5.2m the previous year.

Mr. Fitzpatrick said that the port's annual report would still show a profit to shareholders when published in the New Year, but that severance payments would leave little for profits. Funds might also suffer short-term pressures.

Investment in new facilities at the port had been £5m to £6m this year compared with plans for nearer £10m.

The port employed 4,000 dockers and was responsible for funding all severance payments. Mr. Fitzpatrick said that it might be time for another body to find that money.

Mr. Fitzpatrick added that the burden put the Port of Liverpool in an unfavourable position compared with the Port of London, which has been conditionally offered £35m assistance by Mr. William Rodgers, Transport Secretary, towards severance costs of registered dock workers and staff.

Firemen's strike 'saved' £18m

THE nine-week-long firemen's strike ea[illegible] year "saved" local auth[illegible] England and Wales £18[illegible] they had to spend an [illegible] £7m on alternative cover.

Figures published yesterday by the Chartered Institute of Public Finance and Accountancy show the £18m saving in firemen's wages. The extra £7m covered the "Green Goddess" fire engines and servicemen's marginal costs.

'Cosmetic measure'

The Price Commission was last night described as "little more than a cosmetic measure" in the battle to keep down prices, by Mrs. Sally Oppenheim, the Conservative Party spokesman on Prices and Consumer Protection.

'Lame duck' charge

An attack on "foolish" trades union investment proposals, which could "turn a healthy petrochemicals industry into yet another lame duck," was made last night by Mr. Martin Trowbridge, director-general of the Chemical Industries Association.

Coal contract

The National Coal Board has awarded a contract worth £10m to Murphy Brothers to win an estimated 600,000 tonnes of power station coal from the West Moss site near Cowdenbeath, in Fife.

New ships for BP

BP Oil has ordered two products carriers from Appledore Shipbuilders, North Devon, for delivery in the spring of 1980. The two 3,000 deadweight ton tankers will be used on coastal duties in UK waters, carrying white petroleum products.

Successful drive

Up to 40 ships coming to the Tyne for repairs worth millions of pounds could be the result of the recent sales drive by the South Shields-based Tyne Ship Repair Group, the company's chief executives said yesterday.

New cinema

The National Film Theatre has won planning permission for a new 189-seat cinema on its South Bank site.

Worst of all worlds

By John Elliott, Industrial Editor

IF THE Kirkby Manufacturing and Engineering workers' co-operative is returned to the private sector, as proposed in a Government report published yesterday, one of the most controversial initiatives taken by Mr. Anthony Wedgwood Benn when Secretary for Industry will be brought to an end.

It was just four years ago that Mr. Benn over-ruled his top civil servants and industrial advisors to launch the co-operative with £3.9m of Government money. Since then a succession of problems has increased the Government's bill to £5.6m and more cash will be needed if any form of fresh rescue is to succeed.

Mr. Alan Williams, the Minister of State for Industry now responsible for the co-operative, admitted yesterday, however, that this was a relatively small figure compared with the £9m it might have cost the Government in unemployment and social security payments for the 700 workers involved if the business had been closed in 1974.

Mr. Williams, though, is not anxious to see the co-operative continue in its present form and is backing the report published yesterday of a working party he set up a month ago to map out a future for the workforce and the business. This rejects a takeover by the National Enterprise Board favoured by some of the co-operative's leaders and proposes its acquisition by a small Midlands-based central heating company called Worcester Engineering.

It would become a full subsidiary of Worcester with the help of a £3m Government loan. This would be in the form of cumulative redeemable preference shares plus a £680,000 regional development grant and a £500,000 interest relief grant. On top of this, Worcester Engineering would spend about the same amount again—more than £4m—developing the Kirkby business.

The plan involves about 260 redundancies among the 720 workforce and is subject to final approval by the Government's Industrial Development Advisory Board, which has expressed some reservations about Worcester's ideas.

Yesterday's working party report points out that Kirkby

NEWS ANALYSIS

KIRKBY CO-OPERATIVE

Manufacturing's big factory—equivalent in size to five full-sized football pitches—and large overhead costs require a high turnover to break even. In turn, this requires more management expertise.

"In both marketing and production engineering, the lack of expertise seems to have resulted from objections in the co-operative to paying competitive salaries," the report says. "Kirby Manufacturing's uncertain future means that it is now virtually impossible to recruit in these fields." As a result, product development had been delayed and markets left unexploited.

The report is at its most critical in dealing with the failure of the enterprise to operate effectively as a co-operative.

"KME has not used its status as a co-operative to develop a new organisational structure. The firm is managed on traditional lines with the directors acting effectively as its senior management. The other managers do not take a full share in decisions, nor are they fully informed about developments.

"The shop stewards' committee, with the two directors, takes policy decisions, but the shop stewards are often in a difficult position. On the shop floor they frequently find themselves acting in opposition to decisions taken on the shop stewards' committee.

"KME has the worst of all worlds. It has failed to develop a new form of organisation as a co-operative, but under workers' control its traditional, hierarchical structure is not functioning well."

Kirkby Manufacturing's cash has now virtually run out, including £150,000 extra State aid given last month to tide it over the period of the working party's inquiries. It needs £1.5m-£1.8m immediately to pay off accumulated debts, restore stocks to reasonable levels, pay off its overdraft and meet minimum redundancy payments.

Against this background the working party rejected ideas for the co-operative to remain in its present form. But it found, somewhat to its dismay, that neither the Government nor the National Enterprise Board favoured an NEB takeover.

Other big central heating companies like Myson and Metal Box's Stelrad showed interest only in picking up some of the pieces after a liquidation. So the Worcester Engineering offer was recommended.

The working party's chairman, Professor Douglas Hague, admitted yesterday, though, that there were "clear risks" in what was being proposed.

Fewer companies sell more

FINANCIAL TIMES REPORTER

THE TREND for UK manufacturers' product sales to be concentrated in fewer hands grew slightly between 1963 and 1975, according to the latest issue of the Government publication Trade and Industry.

However, that conceals some large rises and falls in "concentration" in particular product groups.

Refined oil products sales diversified markedly between manufacturers, and in the textiles and clothing industries product concentration generally rose.

The number of products where concentration was increasing was greater than those where manufacturers increased. The median change was an increase of about 3 per cent between 1963 and 1968 and of 2 per cent between 1968 and 1975.

The conclusions are derived from a comparison of data collected in the quarterly inquiries of manufacturers' sales in 1975 with similar figures drawn from the 1963 and 1968 consensus of production.

The measure used for the study was the share of total output held by the five largest enterprises. The use of additional measures to give a more rounded view of concentration was ruled out to avoid disclosing sales figures.

Trade and Industry observes that output concentration differs from market concentration in that the former includes production for export and does not allow for the effect of import competition.

£720,000 site to be developed

BLACKPOLE Trading Estate, Worcester, is to be bought for £720,000 from Drayton Corporation by Redman Heenan for development.

The estate comprises 24 acres of undeveloped land, half immediately available for industrial use, and 17 industrial units, totalling 45,000 sq ft, all let.

Cheap phone service for calls abroad

BY MAX WILKINSON

A NEW telephone service was introduced yesterday allowing UK subscribers to dial overseas offices of some international companies for the price of a local call.

The system is run in co-operation with European telephone authorities by an American-financed company named Group 800. Its European system is called Service 800.

Its main aim is to make communication easier between the public and large multinational companies. Customers for the system so far include airlines, credit houses and hotel chains.

The idea is that the large company should rent a line or group of lines from System 800 in chosen countries.

Members of the public in any of those countries may then dial the company's European head office for the price of a local call.

The local call is forwarded by computer to the company's head office abroad and the company pays the international charge.

Some companies prefer to pay international telephone charges rather than open a branch office abroad. The service is not yet available for forwarding long-distance calls within national boundaries.

The network of telephone lines is maintained by service 800, which, in turn, rents telephones from the national authorities.

It subleases the lines to customers for about £300 a month, pays the charges, and recovers them from customers.

The system is adapted from the Toll Free dialling service widely used in the U.S. Service 800 can be contacted in London at 723 1092.

Coin box prices to rise

THE POST OFFICE said yesterday that the price of calls in telephone boxes would go up "sooner or later," although it had not yet been decided if it would rise in April, when the Post Office price freeze ends.

Plans to convert the 327,000 call boxes, at a cost of £1m, have been under consideration for the past four years, but the price freeze has prevented the Post Office from raising the charges.

Sir William Barlow, Post Office chairman, drew attention this year to the £30m loss by the boxes over the past financial review, and said that charges were under review.

Call boxes lost £31m last year, nearly half of income, and £23m (38 per cent of income) the year before.

Makers' injury liability 'should be increased'

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

MOST people are in favour of increased manufacturers' liability for defective products, according to a new survey published yesterday by the National Consumer Council.

The survey, carried out by National Opinion Polls for the council, discloses that three-quarters of the 1,848 people surveyed believe that manufacturers should be held liable for injury or damage caused by faulty products bought by consumers.

A similar proportion believe manufacturers should also be held liable for faulty products which cause damage or injury to someone other than the purchaser.

The survey also disclosed that most people are unaware of the present extent of manufacturers' liability. More than half mistakenly thought that manufacturers were already liable to compensate purchasers of a faulty product for injury or damage.

The council has published its survey to coincide with today's debate in Parliament on the Pearson report on civil liability and compensation for personal injury. It has written to all MPs urging them to support the Pearson committee's recommendations that manufacturers should be held more strictly liable for defective products.

"It is entirely wrong that the people who, through no fault of their own, are injured by defective products should have to bear the loss they suffer themselves," said Mr. Michael Shanks, the council's chairman, yesterday. "The NCC also believes that manufacturers should be responsible, since it is they who can most easily take steps to improve the quality of their products."

London to keep Motor Fair

PLANS ARE going ahead for Motor Fair at Earls Court, London, again next October.

Mr. Tommy Sopwith, chairman of Motor Fair 79, said yesterday: "It is our object to create a motoring event for London and the south east, designed to appeal to the specialist and the family."

ENERGY REVIEW: COMPANIES IN THE SIXTH ROUND — **BY KEVIN DONE, ENERGY CORRESPONDENT**

Not yet ready to pack their bags

SHORTLY before mid-day on Monday an undignified scramble will take place at the doors of the Department of Energy. Senior executives from a host of oil companies will arrive to take part in a ritual last-minute drama to stake their claims to a place in the UK's latest round of offshore licensing. The flurry of activity the last time that blocks were on offer was large enough to draw the personal attention of Mr. Anthony Wedgwood Benn, the Energy Secretary, to witness the event.

But applications for the Sixth Round of licences may well be made with a little less enthusiasm than on previous occasions. The chorus of complaints from the oil industry about the Government's North Sea policy has grown steadily louder since the conditions for the latest concessions were first announced in May. Repeated warnings have been sounded that the oil companies were losing their confidence in UK offshore exploration and were beginning to look to more *favourable climes*.

There can be no doubt that many companies have engaged in considerable heart-searching before deciding to participate, and the feeling of unease has been shared by some of the biggest operators on the UK continental shelf.

The indications from most companies, however, is that they are not yet ready to abandon future prospects in the UK. It would not be the first time of course that the industry had packed its bags and left an attractive oil province. It has happened before in Indonesia, Malaysia and Nigeria, for instance, where conditions became too tough to bear. The applications that come in on Monday for the 46 blocks on offer might not be exactly an expression of confidence in the Government's present policies—though inevitably they will be seen as such at the Department of Energy—but they should prove nonetheless that the latest turns of the screw on the oil industry were far from fatal.

Adjustments to companies' licence applications can be made almost literally up to the last minute before the deadline, and the new terms introduced for the Sixth Round have made the decision-making process especially fraught this time. Oilmen with long experience of bidding for concessions have found it impossible to get the feel of how their competitors will move, because of the number of variable factors that have been brought into the game by the Department of Energy. The new conditions will only add further uncertainty to the already complicated job of sifting out the best prospects on offer through the evaluation of the mass of seismic and drilling data available.

The principle was established in the Fifth Round that the British National Oil Corporation would take a 51 per cent stake in all licences. But this time hopeful applicants have been asked to offer BNOC or the British Gas Corporation more than a 51 per cent equity interest. It has not been made a mandatory condition of applying, but it is a device available to companies which want to swing a decision their way on blocks they are particularly anxious to acquire. The device was fought by the companies when the licensing conditions were first proposed. The Government, however, sees it as a useful way both of probing the companies' limits for accepting tough conditions and of increasing state interests offshore. If companies bite this time it is the sort of licensing technique that could well be developed.

Another uncertain element of bidding that has been introduced is the provision for applicants to offer to carry BNOC for all or part of its exploration and appraisal costs on Sixth Round blocks. The costs would be reimbursed with interest if BNOC elected to join in the development of a discovery. This concept has already been introduced in a limited way when companies are wanting to sell part of their existing licences. Any other proposed deal to allow groups to "farm in" to an existing concession must now be offered first to BNOC. In the few cases where farm-in deals have been agreed in recent months BNOC's exploration and appraisal costs are being carried by its partners.

To add a little more to the air of mystery surrounding company tactics, applicants may also offer to sell all or part of any future crude production to BNOC "at market prices." At the same time they may offer the option of being ready to buy BNOC's share of oil production, if for some reason the corporation *cannot* handle all its entitlement.

The Sixth Round is offering the smallest number of blocks—46—of any round since offshore licensing began in 1964. The Government has chosen deliberately to go for smaller and more frequent licensing rounds in order to try to build up some continuity of work both offshore in exploration and appraisal and onshore for the service and supply industries.

The controversy over tighter conditions has tended to overshadow the actual blocks on offer which have not aroused particular excitement. Indeed, *eight of them are coming up for* the second time. But there are enough concessions in truly speculative areas such as the South Western Approaches and to the North-West of the Shetlands to whet the exploration appetites of most companies. It must also be remembered that for companies with existing discoveries, either in production or under development, there is the carrot of being able to offset some future exploration costs against existing developments.

Most of the 46 blocks are very speculative and only a few are likely to make companies take up the bidding opportunities. One of the most promising areas that is being opened up is the South Western Approaches, where a total of 15 blocks are on offer in a well-established sedimentary basin. The offer of concessions in this area had earlier been held up by the dispute over the location of the median line between the French and British sectors, but the disagreement was settled after arbitration at the beginning of 1978.

The prospects for the area must have been downgraded recently, however, by the disappointing results of wells drilled on the French side. A total of four wells have been sunk over the last three years in the area of the Mer Celtique, the Mer Armor and the Mer d'Iroise, but all were dry. The exploration was carried out by a group headed by Elf Aquitaine, and includes BP.

Other discouraging factors include the total of about 15 disappointing wells that have been drilled to the north in the UK Celtic Sea and in the St George's Channel.

The three blocks on offer off the coast of Wales—two in the north of Cardigan Bay and one in the Bristol Channel—appear to have little to recommend them. One of them, 104/20, was relinquished from the Fourth Round. Coming to more traditional exploration areas in the North Sea, the industry appears to have been surprised by the offer of a small number of concessions in the southern North Sea to the north of the Rough gas field.

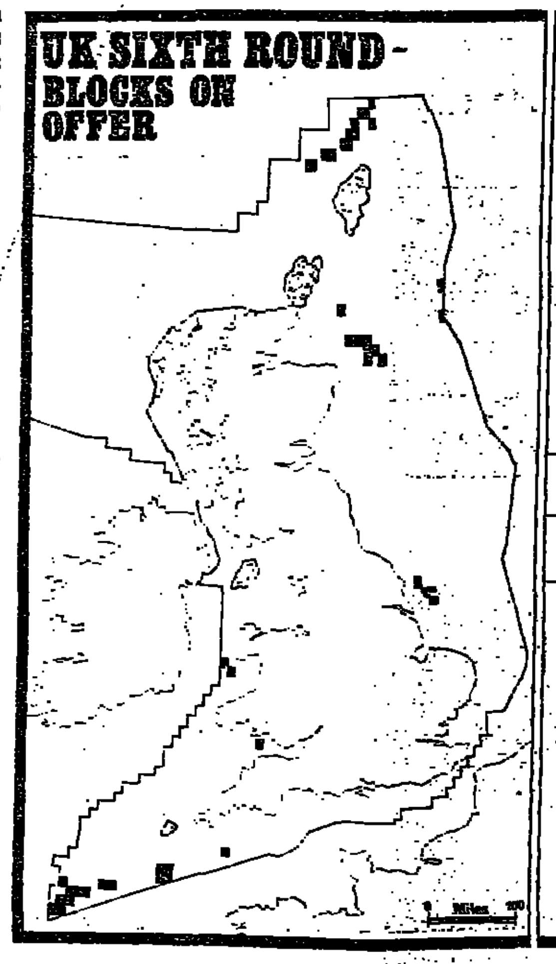
These part blocks have all been relinquished from previously licensed acreage and the current price that British Gas is willing to offer for southern North Sea gas production is hardly likely to inspire much competitive interest.

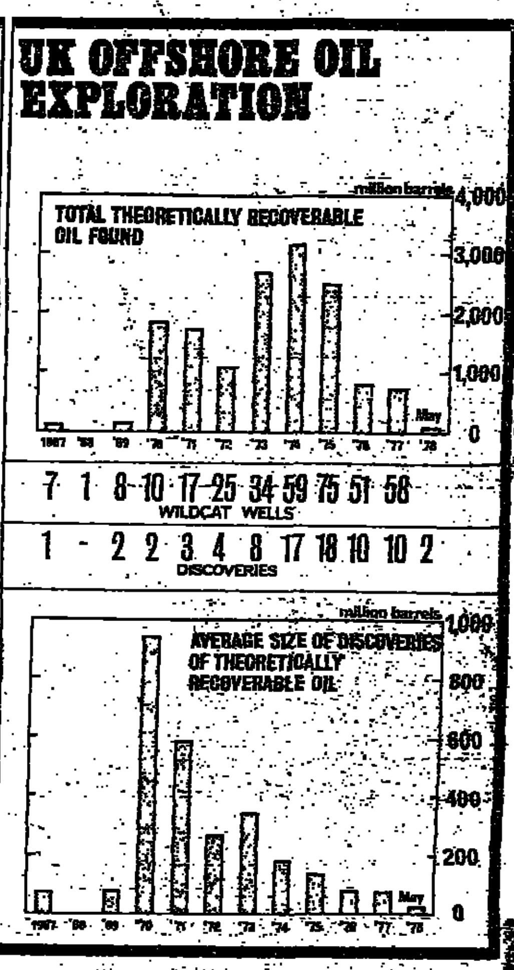
The incentive to bid for blocks will be much greater further north, especially in the area of the Central North Sea and the Outer Moray Firth, where blocks are on offer close to existing finds. Surprisingly no blocks are available in the Inner Moray Firth in the area of Mesa's Beatrice Field. For this round the area appears to have been ruled out because of local environmental and fishing interests, but blocks could well come up in the future.

Some of the most interesting prospects for the long-term lie in the clutch of 13 blocks available to the North-West of the Shetlands. Little is known in detail of the geology of this area, but to the West of the Shetlands BP has made what is likely to prove a commercial discovery in the long-term in block 206/8. The oil is much thicker than in the North Sea and the reservoir appears to be broad and shallow which would make production difficult, but the find has significantly improved prospects for the area.

In the first four rounds it is possible that as much as a half to two-thirds of the UK's potential hydrocarbon-bearing reserves have already been licensed, so further exploration can only get tougher. Nevertheless the prospects are good enough to be drawing in some oil groups for the first time to the UK offshore, such as Hispanoil, the Spanish state oil company and Svenska, the Swedish state oil company, which are combining with Tricentrol as operator. Equally Gulf, one of the seven largest oil companies in the world, is using the Sixth Round blocks in the South Western Approaches as a way of belatedly trying to re-establish itself as an operator in UK waters. It has long regretted its 1970 decision to hand over its North Sea operatorship to Conoco. And the Sixth Round offers special hopes for small UK oil companies. The Department of Energy is only offering exploration licences at present—development permission would be confirmed at a later stage—which means that small companies such as Oil Exploration (Holdings) and Cluff Oil could obtain their first operatorships.

The blocks on offer are: 13/12, 13/28, 13/29, 13/30*, 14/26, 16/3b, 16/18, 20/1, 20/2*, 20/6, 20/8, 42/27, 47/3c, 47/4b, 47/9b, 72/20, 73/1*, 73/7, 73/8, 73/9, 73/11, 73/12, 73/16*, 74/1, 74/2, 85/23, 85/24, 85/28*, 85/29, 87/11, 104/20, 106/10, 107/11, 206/2, 206/3, 208/15, 208/19, 208/20, 208/23, 208/24, 208/26*, 209/3, 209/6, 209/7, 209/13, 214/20. Those marked with an asterisk will be operated by the British National Oil Corporation.





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The Property Market

BY JOHN BRENNAN

Leaping the yield gap

A YEAR AGO a 2½-point rise in the Minimum Lending Rate to 12½ per cent would have sent the property investment market crashing into reverse. Today, property buying institutions are shrugging off the higher interest rates. And although property shares have been given a leading role in the equity market's slide, buying yields for prime investment properties show no signs of moving upwards.

On the face of it this is an extraordinary state of affairs. Before last week's MLR increase the initial yield gap between returns on long-dated gilt-edged stocks and on prime property purchases was already historically high. And yet a straw poll of institutional fund managers and investment surveyors this week suggests that the funds are willing to see that gap widen without too much concern.

There are, in fact, extremely rational explanations for this superficially cavalier attitude towards general interest rates.

The first explanation lies with the sheer weight of institutional investment cash and the shortage of quality property investments.

In 1977 the financial institutions placed just over £1.1bn into direct property investment, around 15 per cent of their total cash flow. This year the overall investment is expected to be similar, possibly larger. At the same time the rate of property company disposals has fallen as post-crash degearing programmes come to an end, and the scope for forward commitment of funds into developments has been limited, firstly by the time-lag effect of oversupplied provincial office markets keeping rents below the level needed to justify new building, and secondly by the shortage of suitable industrial and retail development land. The result has been more money funnelled into fewer properties and this has inevitably kept buying yields low.

This "weight of money" argument does, of course, beg the question of why funds are still willing to commit this proportion of their investable cash to property when alternative investments are, apparently, more attractive.

There is one structural reason for this. The local authority pension funds, which were freed by the 1974 amendments to their investment code to put more cash into property, have been anxious to increase the property content of their investment portfolios. These local authority funds have been making the running in the property investment market for the past 18 months, often chasing yields down to hair-raisingly optimistic levels. It is these funds' price insensitivity which explains some of the more exotic buying yields that receive misleadingly wide publicity.

Another, more logical reason for institution's willingness to continue buying property on low yields is their view of the general inflation rate.

The higher the general level of interest rates in the economy, the greater the chances of another wage explosion and with it another bout of double figure inflation. Inflation tends to filter through to rental levels providing a high enough expectation of rent growth to justify a low initial purchase yield.

John Darby, who runs Norwich Union's £600m property portfolio, echoes the thoughts of several other fund managers when he takes that rent inflation argument one step further. "What worries me," he says, "is just how long British industry can afford to pay higher rents if the economy remains in its present state."

Commercial tenants' long term ability to pay projected higher rents is a double-edged worry. On the one hand, a commercial tenant struggling to keep in profit in an unhealthy economy is likely to put up a fierce resistance to proposed rent increases. On the other hand, his rent is a first charge on the business and it could, and is, argued that rising rent income is a sounder long term bet than rising attributable profits able to support a steady increase in equity dividends.

This argument for the long term quality of rental income provides another point in favour of continued direct property investment despite temporarily higher returns on ordinary shares.

Away from the investment logic of property investment there is one further explanation of the seemingly alarming gap between property buying yields and the returns on alternative investments. That argument centres on the inaccuracy of information about "prime" property yields.

"Prime" property has always been a subjective term, and the impossibility of arriving at a universally accepted definition of a "prime" commercial building undermines the talk of general levels of "prime" property yields. The "prime" yields broadcast by surveying firms can only be taken as a very rough rule-of-thumb guide to the market. Reports that these yield guidelines show no sign of altering under the pressure of higher interest rates could be explained as much by the fact that only a very few top quality properties actually change hands at the yields talked of by the agents as by the rational argument in support of today's wider yield gap.

Development embarrassments left by the property crash have become the staple diet of property hungry funds in recent years. One former financial embarrassment that has improved with age is Conoco House, the oil group's British headquarters building on Blackfriars Road, S.E.1.

Two years ago Keyser Ullman, as the initial developer's mortgagee, was left to complete the 60,275 sq ft (5,600 square metre) block on its own. Now, with Conoco as tenant and with 142 years to run of its headlease from the Christchurch United Charities, the bank, advised by Richard Ellis, has sold the building to Norwich Union Insurance for "in excess of" £7.5m.

Norwich Union picks up 36 flats along with the offices, flats built into the scheme as part of the planning negotiations and now let at a peppercorn rent to the London and Quadrant Housing Trust. Overall, the purchase, which was finally signed earlier this month, is likely to show Norwich Union an initial yield of slightly over 6 per cent.

Hugh Routledge

IBM to Alencon Link

IBM IS to take the whole of the Greater London Council pension fund's 157,000 sq ft (14,586 sq m) office development in Alencon Link, Basingstoke.

IBM's move, which has yet to be announced, takes the GLC's £10m scheme off the market some months before its formal completion. Hillier, Parker May and Rowden, who project managed and let the scheme, had been asking £5.50 a sq ft for the air conditioned block. But as the computer group is expected to take until early 1980 to fit out the building and to make its move to Basingstoke, rent free or reduced rent periods are likely to make a significant reduction in the initial rent charge.

Weatherall Green and Smith, acting for IBM, confirm that details of a 25 year lease on the building, with standard five yearly rent reviews, are now with the lawyers. The block, which would house around 700 staff, will be used to bring together IBM's General Business Group and there are no plans to sub-let any temporarily surplus space.

●

AFTER 18 months in Monument Street, EC3, City surveyors Baker Harris Saunders are moving to the City Corporation's Blackwell House offices facing the Guildhall Yard, EC2. BHS, best known as agents for Trafalgar House and Whitbread's 450,000 square foot Chiswell Street development and the £30m plus Standard Life, Chaddesley/Greycoat scheme for the Cutler Street warehouse site near Liverpool Street station, starts work in the new offices on Monday. Wright Oliphant, a fellow tenant with BHS at the Monument, is moving at the same time to become BHS's first tenant.

A new West End agency also starts this week with Derek Harris move from Druce and Company to set up on his own at 50, Maddox Street, W1.

●

THERE WERE some elegant, if occasionally barbed comments from Peter Grafton in his presidential address to the Royal Institution of Chartered Surveyors on Monday.

On the controversial moves to tighten up educational and professional standards for surveyors at both qualifying and mid-career stages, Mr. Grafton told members that "educationally, I am, unashamedly, an elitist. . . ."

Plans for mid-career examinations have not been greeted with much enthusiasm by practising surveyors and the President noted a letter from one member, "who resented what he described as a 'slur on his competence.' Unfortunately, he slightly undermined his argument by misspelling the word 'competence'." As Mr. Grafton neatly explains, "I don't think we are seeking to deal with simple ignorance, which is when you don't know: rather than compound ignorance, which is when you don't know that you don't know!"

On the thorny subject of defining specialisations within the Institution, Mr. Grafton veers towards a federal, three chapter structure. The three chapters being Land Surveying, involved with, "measuring and mapping the features of the earth;" Quantity Surveying, covering "construction economics and accountancy and the procurement of buildings," and a third incorporating the Institution's five remaining divisions, "being concerned with the use, management and development of buildings."

Spillers on the move

SPILLERS, the food group, is understood to be planning to leave its 90,179 sq ft (8,378 sq metre) Old Change House headquarters building on Cannon Street, EC4.

Spillers has occupied Bernard Sunley's Old Change development since 1960 when it acquired a 42 year lease for around £1 a sq ft with just one rent review, in 1981. Although Spillers would make no comment on its move yesterday, Sunley confirms that it is now having talks with its tenant.

It is believed that one possible new home for Spillers' headquarters staff is Grosvenor Estates' 88,000 sq ft (8,175 sq metre) Belgrave House development in Northampton, 73,000 sq fet of which has been standing empty (at an asking rent of £3.50 a sq ft) for two years.

If Spillers does leave Old Change House the building will rank as the second largest vacant office building available in the City. The largest is Sun Life Assurance's 110,000 sq ft former headquarters in Cheapside.

The acute shortage of large office units throughout Central London is slightly eased this week with the arrival of two major blocks on the market.

UK Provident's 162,500 sq ft (15,067 sq metre) United Kingdom House—the refurbished former Waring and Gillow building at 180, Oxford Street, W1—is now being offered by Edward Erdman and Gross Fine and Krieger Chalfen at a rent of £2.2m a year (£13.54p a sq ft).

This week also sees Bernard Thorpe adding 80,000 sq ft (7,432 sq metres) to the City market with the offer of the former Johnson Matthey headquarters block at 73-83, Hatton Garden, EC1, at £11.19 a sq ft.

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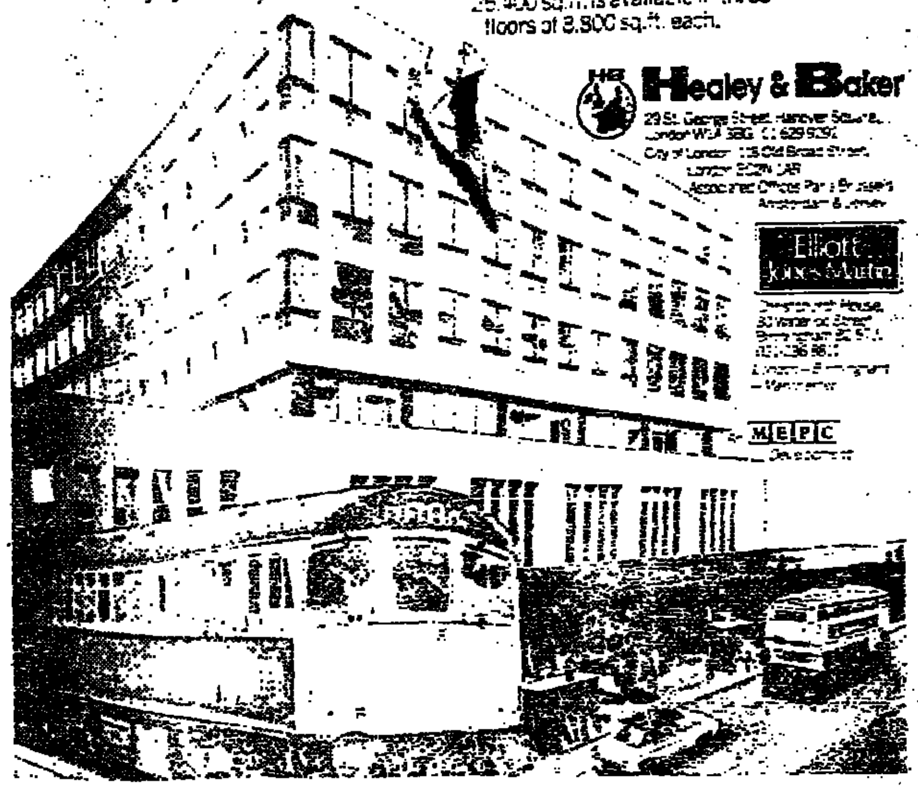

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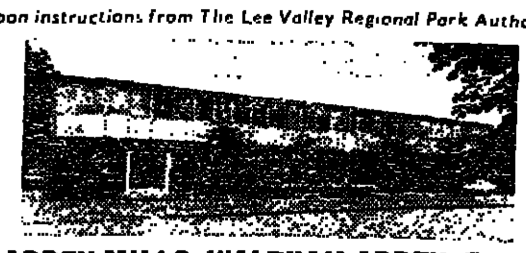

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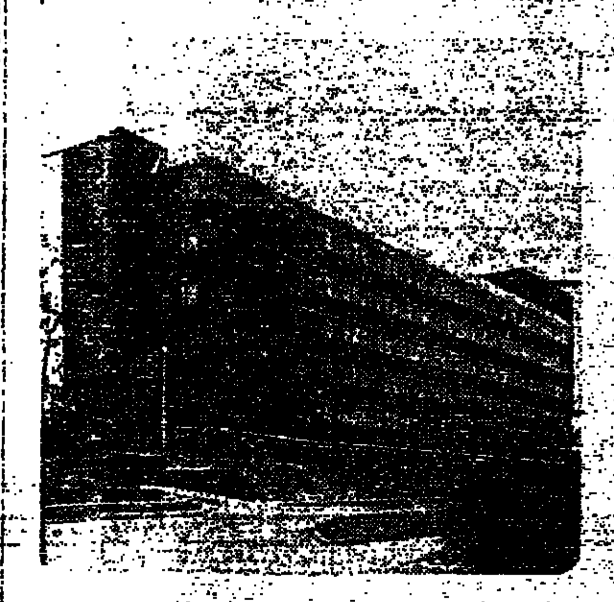

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PARLIAMENT AND POLITICS

Callaghan stalls on State industry pay policy

BY IVOR OWEN

MR. JAMES CALLAGHAN, the Prime Minister, refused in the Commons to explain how the Government's 5 per cent guideline for the present pay round will be enforced in the nationalised industries—despite persistent questioning by Mrs. Margaret Thatcher, Opposition leader.

Irritated by Mr. Callaghan's stone-walling tactics, Mrs. Thatcher tossed a copy of the White Paper "Winning the Battle against Inflation" towards him from the Opposition Despatch Box.

It landed—apparently as intended, well short of the Prime Minister. But he was clearly angered by the gesture and, ignoring chants of "Answer!" from the Tory backbenchers refused to add to his earlier replies.

Mrs. Thatcher launched her demand for clarification of the Government's policy for applying the 5 per cent guideline in the nationalised industries by recalling that in 1974, Mr. Callaghan publicly urged the miners not to accept a pay settlement of 16 per cent.

"Is it your policy now to stick to 5 per cent in the present pay round for the nationalised industries, and if so, how do you intend to enforce it?" she asked.

Mr. Callaghan immediately referred to her early Government statements on the incomes policy and told protesting Tory MPs: "It is quite clear I can never satisfy her whatever I say."

Poised

Undeterred, Mrs. Thatcher renewed her challenge, only to be told by the Prime Minister that Mr. Denis Healey, the Chancellor of the Exchequer, had made the position perfectly clear in his statement to the House 24 hours earlier.

Amid Labour cheers, he added: "Unlike the Opposition, we don't change our policy from day to day on pay or anything else."

Mrs. Thatcher recalled that Mr. Healey had merely referred MPs to the policies in the White Paper. As she poised herself to toss the document towards the Prime Minister, she snapped: "Which policies, which paragraphs?"

Her gesture brought a roar of approval from the Tory benches, but the Prime Minister made no attempt to provide any further elucidation, or to retrieve the White Paper which flopped onto the table dividing the two front benches only a few feet in front of Mrs. Thatcher.

Mrs. Margaret Thatcher

Mr. Callaghan also refused to be drawn into comment on the speech by Mr. Tom Jackson, general secretary of the Union of Post Office Workers and this year's chairman of the TUC, in which he attacked union leaders who voted against entering into a new accord with the Government on incomes policy.

Sir Paul Bryan (Con., Howden) claimed that the failure to reach agreement with the TUC showed that the basis of co-operation between the Government and the unions had disintegrated.

Mr. William Malloy (Lab., Ealing North) contended that the co-operation shown by the trade unions over the past two years in wage restraint had not been matched by the CBI in restraining price increases.

The Prime Minister agreed that inflation had to be tackled from the prices end as well. He praised the progress made in the nationalised industries, both in the interval between one price increase and another, and the total amount of the increase.

Williams 'wins £15m' for school children

By Michael Dixon

EXTRA Government spending of £15m is understood to have been approved by the Cabinet yesterday to save the nucleus of a scheme proposed by Mrs. Shirley Williams, Secretary for Education and Science, to pay means-tested grants to school sixth formers.

The scheme is expected to start on a trial basis in selected areas of the country next autumn, provided the Government's new Education Bill can be passed through Parliament fairly quickly.

Mrs. Williams originally wanted to institute the scheme nationwide at a cost of £100m., but even a £15m concession would be a notable personal victory for her, especially after Tuesday's adverse decision on incomes policy by the Trades Union Congress.

For several weeks, Cabinet Ministers have been opposing any start to the scheme for fear that further public spending might be viewed by political opponents or the International Minetary Fund as a faltering in the Government's stance against inflation.

The case for instituting the proposed inducements for children to stay at school beyond the compulsory age of 16, was further weakened by the Cabinet's recent decision to forego savings of between £50m and £100m by limiting next autumn's rise in the school-dinner price to 5p a day, instead of 10p.

Participate

In its limited form, the scheme is expected to start in local authority areas with high unemployment among youngsters, and where the number of schoolchildren staying on is low. In practice, this means low-income parts of the country.

Consultations will take place to identify local authorities which are suitable and willing to participate, even though the starting areas will collectively need to find a further £1.7m from their own resources to fund the grants.

The maximum rate of grant will probably be approximately £7.50 a week, on top of which the parents of each child staying at school will draw £4 child allowance.

The scheme is being opposed by the Conservative-controlled local authority associations, which are demanding that central Government should provide 110 per cent of the cost of the grants to compensate for administrative expenses, instead of the 90 per cent offered by Mrs. Williams.

Estate agents inquiry soon

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE PRICE Commission is to be asked to examine the charges, costs and margins of estate agents, Mr. John Fraser, Minister of State, Prices and Consumer Protection, told the Commons last night.

His announcement was warmly welcomed by Labour backbenchers, but received a sceptical response from the Conservatives.

Mr. Fraser did not elaborate, but it is understood that the reference will be made under Section Two of the Price Commission Act which relates to goods and services.

If the Commission recommends a reduction in fees, then Mr. Roy Hattersley, Prices Secretary, can make an order to this effect under Section 12 of the Act.

A fuller announcement is expected from Mr. Hattersley today. The examination is likely to take six months.

From the Conservative front bench, Mr. Michael Neubert claimed that the Government was merely seeking to use the estate agents as scapegoats for the recent rise in house prices and mortgage interest rates.

"This is clearly some cosmetic brought forward by the Government to give the impression that something is being done about this very serious housing situation," Mr. Neubert declared.

He pointed out that in the first nine months of this year, house prices had risen by 21 per cent and were still going up. On top of this, 4.5m existing home buyers had had their mortgage rate increased by two per cent.

Mr. Fraser, who was speaking on the Second Reading of the Estate Agents Bill, recalled that an Order of 1970 had prevented agreed scales of fees between estate agents. Since then, there had been free competition between them.

"The Government recognises that the level of estate agents' charges are of very real concern to many consumers and the amount of fees on any transaction are substantial," he declared.

Mr. Stephen Ross, Liberal spokesman, who was an estate agent until five years ago, intervened to say that as a general rule charges by estate agents in the U.K. were below those of any Western country. They were "extremely competitive."

Mr. Fraser told him that he did not know how charges here compared with the rest of the world, but speaking from his own experience, he thought that the rates had risen in Britain since the abolition of scale charges.

Because of the huge number of estate agents around the country, it would be unlikely that the Price Commission would be asked to carry out an investigation as a result of individual complaints from clients.

An examination at the behest of Mr. Hattersley was the only way it could be looked at.

From the Labour backbenches, Mr. Ken Weetch (Ipswich), said that many on the Government side of the House welcomed the examination. "Perhaps it should be a very rigorous scrutiny," he suggested. "Indeed, the costs of moving house are absolutely frightening."

He claimed that price agreements were till being maintained between estate agents in some parts of the country, and urged that they should be "rooted out" by the Price Commission.

An Estate Agents Bill was defeated when it was brought forward last session as a Private Members' measure. Now the Government has brought forward its own Bill with support from both sides of the House.

Mr. Fraser pointed out that Private Members had been unsuccessfully trying to get legislation of this kind for the past 90 years.

The present Bill applies only to domestic property. Under its terms estate agents would have to pay clients' deposits into a separate account which will have to be covered by insurance.

Subject to a right of appeal, the Director-General of Fair Trading will be able to prohibit people from practising as estate agents if he finds them unfit to do so.

The legislation will also empower the Prices Secretary to make provisions ensuring that estate agents dealing with residential property satisfy a minimum standard of competence.

Although he welcomed the Bill, Mr. Neubert said that the Conservatives had reservations. He did not want the provisions for a minimum standard of competence to lead to a professional closed shop.

In particular, he was alarmed at the powers given to officials to enter estate agents' premises. The legislation would enable them to seize documents and break open containers in their search for evidence, he said.

Small wonder that this has been named "the KGB clause." "It smacks more of 1984," Mr. Neubert added.

'Butter for Russia' attack by Silkin

BY OUR PARLIAMENTARY STAFF

MR. JOHN SILKIN, the Agriculture Minister, attacked in the Commons the latest attempts by the EEC to sell 20,000 tonnes of butter to Russia.

He told MPs that the deal, shelved for a week, underlined the Prime Minister's remarks at the Lord Mayor's Banquet on Monday that the creation of agricultural surpluses created problems of how to dispose of them.

The way to remove surpluses was to reduce support prices and increase consumption, Mr. Silkin added.

There had been a fuss in the Common Market when Britain wanted a 6½p subsidy on butter, and yet none about a 47½p subsidy for Russian housewives.

Demands came from both Labour and Tory anti-market MPs for the Government to insist on reforms of the Common Agricultural Policy immediately.

Mr. Silkin assured them that the Government's policy in the next negotiations would be to press for a freeze on all common prices on products in surplus.

Mr. Ian Mikardo (Lab. Bethnal Green and Bow) said the EEC would go on resisting reforms of the Common Agricultural Policy.

He demanded that unless reasonable progress was made within a reasonable time, Britain's membership of the Common Market should be reconsidered.

Mr. Silkin: "We have made significant progress in the last two years. We shall make even more significant progress in the next year.

"The basis on which we are working is a four-year strategy. I think we can do it within that four years now."

Left-wingers fail to unseat Hughes

By Elinor Goodman

AN ATTEMPT by Left-wingers to unseat Mr. Cledwyn Hughes, chairman of the Parliamentary Labour Party, failed yesterday when he beat off a challenge from the Tribune Group's candidate, Mr. Norman Buchan, by 159 votes to 68.

Mr. Hughes, a highly-respected backbencher of long standing, has already announced his intention to retire from the House after the General Election. He has been unopposed as chairman of the PLP for the past three years, and it was assumed that he would be again this year.

But the Tribune Group decided to put forward Mr. Buchan in the apparent hope that, having stood for the chairmanship once, he would have a better chance when the job comes up for re-election again after Mr. Hughe's retirement.

PM backs Iran elections

THE PRIME MINISTER refused to respond to a Labour backbencher who urged that the planned Royal visit to Iran be cancelled.

"There are important movements of opinion that are taking place throughout the Islamic world at the present time, not only in Iran," Mr. Callaghan told the Commons.

"We should endeavour to understand these movements as well as to try to support the movement towards a stable and democratic régime."

Labour Left-winger Mr. Stan Newens (Harlow) had asked the Prime Minister: "In view of the commendable stand taken by the British Government on the issue of human rights in other parts of the world, including the Soviet Union, will you make it perfectly clear that we shall in no way condone the corruption, torture, imprisonment of opponents, the shooting down of hundreds of unarmed demonstrators and other atrocities associated with the present Iranian régime?

"Will you advise that no Royal visit should take place either way at the present time?"

Mr. Callaghan: "You attack the shortcomings of the present regime, and there is no-one I know who denies those shortcomings."

Next week's business

Monday: Companies Bill, Second Reading.

Tuesday: Social Security Bill, Second Reading.

Wednesday: Motions on Referendum Orders for Scotland and Wales; Motions on Northern Ireland Orders on Health and Personal Social Services and Rehabilitation of Offenders.

Thursday: Banking Bill, Second Reading; Motion relating to Children and Young Persons Act, 1969.

Friday: Private Members' Motions.

Monday (Nov. 27): Weights and Measures Bill, Second Reading.

WHY PLAID CYMRU MPs BACKED CALLAGHAN: ROBIN REEVES EXPLAINS

Promise of a fruitful time for Wales

IT IS not without good reason that the three Welsh Nationalist MPs and one of the two Welsh Liberals backed Mr. Callaghan in last week's crucial vote on the Queen's Speech.

Fag-end Parliaments may not be normally remembered for their legislative record, but in this instance, the Welsh contingent decided to give their support for a final Parliamentary session, because it promises to be an exceptionally fruitful time for Wales.

The announcement of the devolution referendum on St. David's Day, March 1, was obviously an important factor.

Distinct advantages will accrue in having the Prime Minister and his Government campaigning in favour rather than, possibly, Mrs. Thatcher at No. 10 and the Government machine against.

But the referendum decision was not the decisive factor. The foundation of support for Mr. Callaghan was the promise of legislative action on a clutch of Welsh issues which have been stuck on the political agenda for years.

From the Welsh fringe, it is considered that Wales has been suffering in recent years what can best be described as Government by decision-in-principle.

The normal consultative processes are completed and the case for government action is accepted in principle, but the actual legislation never gets the final go-ahead because, as the problem is confined largely to Wales, it remains low on the Government's list of priorities.

Nothing has illustrated this more vividly than the saga of the Welsh television channel.

It is more than four years since the Government accepted that broadcasting arrangements in Wales satisfied neither the Welsh nor the non-Welsh-speaking communities, and that an urgent need existed to introduce the fourth channel as a Welsh language service—whatever the ultimate decision on use of the fourth channel in the rest of the UK.

Had the channel received the go-ahead when first mooted, it would be on the air now, broadcasting a comprehensive mix of 25 hours of programmes a week from the BBC and HTV.

Wales has been suffering in recent years from what can best be described as Government by decision-in-principle. But if the Prime Minister honours promises made in the Queen's Speech, the picture is set to change soon.

As it is, one postponement has followed another, with public expenditure restraint, the need to wait for the Annan Report, and the broadcasting White Paper all providing a series of excuses for delay.

Each postponement has always been accompanied by a solemn statement reaffirming the Government's unwavering commitment to the Welsh Language service. But after four years they had lost much of their credibility.

There is still no cast-iron assurance that this session will see the required legislation. But the three Plaid Cymru MPs were sufficiently reassured after eleventh-hour discussions with Mr. Meryln Rees, Home Secretary, just before the Queen's Speech vote, to troop into the Government division lobby.

Signs are that the IBA will be mandated very shortly to press ahead with engineering work essential if the new work at Welsh transmitters—channel is to be on the air in Wales by October, 1982—the date set in last July's White Paper.

The Opposition can rightly claim that it, too, is committed to the Welsh Language service.

But the Welsh contingent took the view that the hiatus which would follow a possible change of Government and the general Conservative backing for an ITV-2 rather than an open broadcasting Authority would inevitably mean further delays.

Another long-standing discontent is compensation for disabled quarrymen from North Wales' once-massive slate industry.

Unlike the coal industry, where mineworkers disabled by dust diseases of the lung have recourse to a compensation scheme run by the National Coal Board, many handicapped slate quarryworkers are unable to claim compensation because the companies for whom they worked no longer exist.

The joint Labour Party—Plaid Cymru campaign in Gwynedd for a Government-backed scheme was urged to await first the Pearson Royal Commission on civil liability and compensation for personal injury.

When the commission report, published earlier this year, proved unable to recommend a scheme, there was much disappointment.

But now there is the promise of legislation this session to establish a £4m-£5m compensation fund for those who are unable to claim damages for silicosis and other respiratory diseases.

Bilingual education is another issue on the Welsh political scene which is now promised legislative aid.

Hardly a week passes without a row at local Government level, arising from efforts to reconcile present educational facilities with a burgeoning demand for bilingual and Welsh-medium education.

In this instance, the Government is planning to make £500,000 available to compensate Welsh local authorities and other organisations for the extra financial burden of bilingualism.

Pressure

Another measure of particular interest to Wales, which the Government has agreed to examine sympathetically, is the introduction of a ceiling on the cost of leasehold purchase.

A high proportion of property in the South Wales valleys and Cardiff is leasehold and, indeed, it was political pressure from these areas which was largely responsible for the 1967 Leasehold Reform Act, giving an occupier the right to purchase an expiring lease.

But the Act set no limitation on the lease market and these days, there are widespread complaints of exorbitant prices being demanded by some freeholders.

Last but not least, there is the Queen's Speech commitment to extra funds for the Welsh Development Agency.

It is not yet clear how much money will be made available and whether it will be earmarked for new initiatives.

As things stand, the agency is not complaining of lack of finance for the tasks it has set—the provision of new factories and infrastructure, investment to bolster Welsh industry, and derelict land clearance.

Referendum

But after this year's steel closures there remains considerable concern that Welsh unemployment hovers around the 100,000 mark or some 8 per cent of the working population.

If all these Welsh "goodies" go through, the Labour Party in Wales will undoubtedly be able to go into the General Election with a respectable record of achievement, though it will not stop Plaid Cymru and the Liberals claiming credit for what is done.

The potential stumbling blocks are that either the devolution referendum will be lost, removing the incentive to prop up the Government after March 1, or that Mr. Callaghan will, after all, decide to run for an early election before the legislative programme is complete.

LABOUR NEWS

Power workers to seek rises in excess of 5%

BY PAULINE CLARK, LABOUR STAFF

SHOP STEWARDS representing a third of Britain's 90,000 power workers are to demand a pay rise "very much in excess" of the Government's 5 per cent wage guidelines.

They made it clear yesterday that they would be watching very closely the progress of the miners' 40 per cent claim, which is to be tabled formally with the National Coal Board next week. The two groups are among the most industrially powerful to be negotiating their annual pay claims this winter.

The decision was reached unanimously at a special conference of power workers' representatives in the General and Municipal Workers Union.

This was in advance of a meeting planned for December of all four unions representing weekly paid workers in the electricity supply industry, when a unified pay claim will be drawn up ahead of the March settlement date.

A forctaste of the power workers' mood was given towards the end of last month when the national unofficial shop stewards committee roundly rejected Government pay policy in favour of pressing for substantial rises this year.

This time last year, militant Yorkshire shop stewards were already leading a campaign of unofficial action over a number of grievances later taken up at national level. Although some of the leaders of the action were at the municipal workers conference, however, the question of industrial action this winter has yet to be promulgated.

Mr. Jack Biggin, national officer with responsibility for the power industry, said after the conference yesterday: "The power workers are adamant that a 5 per cent pay rise would be totally inadequate. We have considered the Government's and the TUC position and there was absolute opposition to the pay policy."

He added that the conference decided there should be a postal ballot before acceptance of any offer.

Last year, the Government narrowly escaped major confrontation with the power workers when a postal vote on a roughly 17 per cent offer, including productivity, was carried by a 550 majority. Dissatisfaction about last year's settlement could now be fanned by the success of the miners' incentive bonus scheme, which is believed to have boosted earnings in some areas by as much as 25 per cent.

The union's priorities in this year's negotiations will include a claim for a 35 hour week, parity in holidays with white collar and technical staff, implementation of travel assistance to workers in area boards and at transmission stations and consolidation of bonuses.

The bottom basic rate for a labourer in the industry is just over £47 a week, while that for a craftsman is about £58. Earnings, however, are raised by a £10 weekly bonus, £3.60 in self-financing productivity, and shift and unsocial hours allowances.

TASS recognition 'victory' at Bedford

BY ALAN PIKE, LABOUR CORRESPONDENT

THE TANGLE over union representation of senior staff in the engineering industry took a new turn yesterday when TASS, the white-collar section of the Amalgamated Union of Engineering Workers, won recognition at APE-Allen in Bedford.

APE-Allen's refusal to recognise the non-TUC affiliated United Kingdom Association of Professional Engineers led to an investigation by the Advisory, Conciliation and Arbitration Service which failed to recommend recognition, despite strong support. The services report was successfully challenged by the association in the High Court but an appeal by the service is due to be heard on December 11.

The decision to grant TASS recognition for technical staff, beyond those covered by formal engineering procedure agreements, was made at a meeting this week attended by officials of the Engineering Employers' Federation.

In view of the pending Appeal Court hearing, the federation took counsel's opinion before the decision was made. Officials of the engineers' association immediately sought their own legal advice when it was announced yesterday.

It was agreed at the meeting, between federation and TASS officials, that jobs with a significant managerial content would be excluded and that there would be no compulsion on employees to join TASS.

Other points of the agreement undertake all professional obligations of engineers will be protected and there will be a "distinct and separate union structure" within TASS to ensure their special interests are safeguarded.

The boundaries of the recognition agreement will be determined at factory level but, in practice, TASS will be seeking to recruit the same people as the engineers' association.

Mr. Charles Hickling, deputy general secretary of the association, said the implications of the recognition decision were being considered. It demonstrated that there was a need for a separate bargaining union for senior engineering staff, as the association had been arguing for a long time.

APE-Allen's recognition of grades of staff beyond those automatically covered by agreements with the Confederation of Shipbuilding and Engineering Unions is similar to existing practice in a number of other engineering companies.

The engineers' association's recognition application at APE-Allen was resisted by the employers' federation and the confederation. In June, Mr. Justice May decided in the High Court that the arbitration service had "misdirected itself in law" and declared void its report which failed to recommend recognition for the association.

Postmen to claim 24% plus cut in work hours

By Our Labour Editor

A 24.4 per cent pay claim, and a demand for a three-hour cut in the working week which could raise the total to more than 30 per cent, has been drawn up by the Union of Post Office Workers for approval by a special delegate conference.

The demand for a shorter week will be particularly prominent this year, after the success of the Post Office Engineering Union in winning a reduction. Mr. Tom Jackson, UPW general secretary, has already said that his members will expect similar concessions.

Mr. Jackson, who is also TUC chairman, created a storm on Wednesday with fierce criticism of some of his TUC colleagues for voting against the proposed agreement with the Government on pay prices and inflation. A champion of wages planning, he said the trade union movement had "lost its way," and complained of unions' "rapacious self-interest."

His union defends its pay demand—for January 1 settlement—by saying that it "cannot afford to stand aside if the movement forgets its true purpose and a wages and prices rat race develops."

A UPW conference in Bournemouth, beginning on December 7, will be asked to adopt a claim for 8 per cent on basic rates (to meet current inflation), 8 per cent on allowances, 5.9 per cent to consolidate into basic rates the pay policy supplemets, 2 per cent for longer holidays, and 0.5 per cent for narrowing incremental scales. The pay claim would cost £180m if met, and would add 2p to postage rates as well as increase telephone rates.

Weekly hours, including meal-breaks, range from 41 for telephonists to 43 for postmen. Total basic pay, including supplements is, presently, at the maximum, £55.44 for postmen (£61.27 for higher grade postmen), £53.69 for telephonists, £57.44 for telegraphists and £3,625 a year (£69.70 a week) for counter clerks.

Next month's conference will also discuss the Post Office's £35m "overlay" productivity scheme, which the UPW has said is not beneficial enough to many of its 197,000 members.

Union seeks shorter week as price for late banking

BY NICK GARNETT, LABOUR STAFF

THE EXECUTIVE of the National Union of Bank Employees is seeking a four-day week for bank staff as a price for agreeing longer opening hours during the week.

A special delegates' conference to consider the issue of banking hours is being convened by the union after the spate of experiments on changed opening times proposed by the banks.

The conference, on January 29, will be recommended by the executive to oppose the opening of bank branches on Saturdays. It will also be asked to ensure that full consultation with the banks must precede any agreement on changed weekday opening.

Mr. Leif Mills, the union's general secretary, said yesterday that the executive will also require "a very high price" for agreeing longer opening hours including a four-day week. The conference will consider opening times at all the financial institutions in which the union has members.

Barclays is planning a pilot scheme of late week-day opening at 20 branches. Midland is proposing a similar scheme for late opening one day a week, and says that if the project is successful, it might wish to extend it to about 500 branches.

National Westminster is setting up a management-union study group to examine opening hours. Mr. Mills said Lloyds also had proposals on late opening.

The union has withdrawn its warning of strike action within the English clearing banks, over Christmas holiday entitlement. A secret ballot in four areas showed a majority in favour of industrial action among those who actually voted, but a minority among those entitled to vote.

The disagreement with the banks is over the half-day, before the Christmas weekend, which the union claims its members should be allowed to take as holiday.

Mr. Mills said the vote had shown that there was considerable feeling about the issue, and the clearing banks should discuss it collectively with the union.

BL strikers may be urged to stay out

By Our Midlands Staff

SHOP STEWARDS are today expected to urge a mass meeting of workers at a BL Cars' components plant to continue a strike which has already made nearly 30,000 employees idle.

The unofficial strike leaders seem likely to ignore a warning yesterday from Mr. Ray Horrocks, managing director of Austin-Morris, that a prolonged dispute could jeopardise the future of the Drews Lane plant, Birmingham.

Mr. Horrocks made it clear that the company would have to examine whether alternative sources of supply could be found, how quickly, and what the implications would be for the 3,500 workers at Drews Lane.

Shop stewards appeared unmoved by Mr. Horrocks' warning, but they are likely to be confronted with appeals from some groups of workers today for a return to work. Unrest is evident among employees about the walkout, which took place even before management had put the full terms of its pay offer to the workforce.

Pay offer to journalists would breach guidelines

BY OUR LABOUR STAFF

EMPLOYERS of about 9,000 provincial journalists have offered to argue a case with the Department of Employment for awarding an 8 per cent pay rise this year—3 per cent higher than the Government's ceiling.

However, the National Union of Journalists is likely to reject the offer at a meeting with Newspaper Society employers today and to give the go-ahead to a national campaign of industrial action in support of a £20-a-week increase.

Mr. Noel Howell, NUJ national organiser, said after a seven-hour meeting with the employers: "We have not seen anything that will change our minds about action."

A report on the offer—which was improved from an original 5 per cent—will be made to the Provincial Newspapers' Industrial Council of the union before the meeting.

A delegate conference in Birmingham last weekend voted in favour of recommending sanctions to start on Monday aimed at affecting newspapers when Christmas advertising revenue is coming in.

Profit-sharing plans 'exempt'

By Our Parliamentary Staff

PROFIT SHARING schemes under this year's Finance Act are exempt from the current pay policy, Mr. Joel Barnett, Chief Secretary to the Treasury, confirmed.

"Schemes under the 1978 Finance Act are capital sharing schemes, with their capital nature protected by the five-year locking-in period. Accordingly, they are not subject to current pay policy."

He told Mr. John Pardoe, Liberal economic spokesman, that he saw no need to bring this exemption to the special attention of pay negotiators.

Huckfield pledge on aviation

By Our Parliamentary Staff

BRITAIN'S AVIATION equipment industry will be able to compete for the supply of equipment to Airbus Industrie on the same basis as the French and German industries, Mr. Leslie Huckfield, Industry under-Secretary said.

Previously, the German and French industries enjoyed a preference on the Airbus project. But types of equipment to be supplied were a matter for commercial negotiation.

The Management Page

EDITED BY CHRISTOPHER LORENZ

Tesco under a new breed of managers

BY DAVID CHURCHILL

WHEN TESCO took the decision to drop Green Shield trading stamps from its 600 stores immediately after Jubilee Day last year it was an historic move for the company in more ways than one. Not only did it represent a fundamental shift in the Tesco trading philosophy—and in the process spark off one of the bitterest High Street price wars for years—but it also emphasised just how far the company had changed from a patriarchial to a participatory approach to managing rapid change in the retailing world.

Tesco has developed from being a highly centralised organisation controlled by a small, family orientated group in the early 1960s to a more dispersed operation run by a second non-family generation of management.

Just how successful the move has been will be made clearer next week when Tesco's half-yearly results are announced. They will be closely scrutinised by both the City and Tesco's High Street competitors for signs of profits growth to match the sparkling surge in sales and market share. Sales were up 36 per cent in the last financial year ending February 25, 1978—which only included part of the trading period after stamps were discontinued—and in the full year since that move turnover was up by some 43 per cent. But the increased sales were at the expense of net margins, and pre-tax profits were slightly down at £28.5m.

J. Sainsbury, Tesco's closest rival in the High Street war, revealed last week that it is possible to increase profits as well as turnover. The company's interim results revealed profits up by a quarter while turnover increased by just over 28 per cent.

But since stamps were dropped Tesco's market share has increased by half to around 12 per cent of the packaged grocery market—Sainsbury's market share is around 10.5 per cent—and both these companies are well ahead of the rest of the field.

The decision to stop stamps and adopt an aggressive price-cutting policy under the "Operation Checkout" campaign was the first major shift in the company's marketing strategy since Sir John Cohen, who celebrated his 80th birthday last month, gave up effective control of the company in 1969. One of Sir Jack's most brilliant coups was the decision in 1963-64 to become the first major supermarket chain to offer trading stamps.

But Tesco's problem—and that which faces all entrepreneurially run companies at some stage—was how to follow on from the man who had dominated the business for so long. The void following Cohen's departure from the day to day running of Tesco was first filled by his son in law, Mr. Hyman Kreitman (from 1969 to 1973) and then by his other son in law, Mr. Leslie Porter, the current chairman.

While Mr. Kreitman's period as chairman (he is still on the main board) can now be seen as the interregnum in Tesco's management transition after Cohen, the accession to the top by Leslie Porter also coincided with the emergence of a new generation of younger professional management within the company.

This new breed—typified by Mr. Ian MacLaurin, the first non-family managing director of the company—had largely worked their way up through the ranks and thus were well grounded in the Tesco retailing philosophy. Four out of the five regional managing directors, who are all in their early 40s, are products of Tesco's in-house recruitment and management development policy. MacLaurin himself joined Tesco as a trainee manager at age 22.

It is to Leslie Porter's credit that he encouraged the development of a new management style which relied less on patriarchal decisions from the top and more on a decentralised approach with responsibility delegated down the line to where it mattered, in the stores.

This switch in style, for example, is illustrated by the fact that the eight-man Tesco property committee now takes decisions on new stores sites on a strictly democratic basis; in the old family-dominated days the chairman's decision would have been final, whatever his other colleagues thought.

The decentralised management structure is based on five regional managing directors to whom individual store managers are initially responsible. But Tesco's head office at Cheshunt in Hertfordshire still retains responsibility for buying, marketing, distribution, and stock control.

But while Tesco was going through a management upheaval after Sir Jack relaxed his grip, it was also going through a poor trading patch. Its sales and profits growth—and consequent Stock Market rating—in the early 1970s were sluggish and the aggressive image built up over the years by Cohen and re-inforced by the Green Shield move in the mid-60s had become tarnished. Tesco, which was always used to leading from the front due to Cohen's entrepreneurial flair, suddenly found itself without a positive marketing strategy.

Yet throught the 60s and early 70s the executives who were now emerging at the top had been quietly moving the company away from its traditional trading base of a down-market, cut-price food chain. By the mid-60s it was becoming clear that total food sales were stabilising as, after consumers had spent a certain level of disposable income, the extra went on durable items rather than on food. This has been borne out in the 1970s as Government statistics show that expenditure on food has, in proportion to total income, slightly declined.

The Tesco response—and an example of how it responds to external change—was to diversify into non-food items on which consumers were likely to spend their excess disposable income. Non-food goods also had the advantage of earning higher margins than food sales. But such a move demanded more space—which the then Tesco stores were too small to provide. Subsequently, therefore, the 1970s has been marked by a steady trading up of Tesco store sizes and the closure of small (under 5,000 square feet) stores.

In 1977-78 alone Tesco closed 58 small stores, while in the last six years it has opened almost 100 stores, many of 20,000 sq ft or more, and will add another 600,000 sq ft of large store space to its total by the end of the year.

And while half Tesco's stores are below 5,000 square feet in size, they account for only 15 per cent of the total selling area. In 1972 these small stores accounted for some 30 per cent of selling space.

The diversification into non-foods has meant that only some 61 per cent of the total selling space is now devoted to food.

Tesco is also experimenting with some of its smaller sites by retaining the properties instead of selling them—and developing them as fast food, take-away outlets. Already it has opened two such stores—under the trading name Bake n'Bite—and has plans for a further four. If they prove successful then Tesco plans to open more.

The fierce price inflation of the 1970s had made most housewives extremely price sensitive which, as was subsequently proved, far outweighed the promotional effects of trading stamps. But despite the logic of the move, Tesco's final decision did not come easily. Some main Board members were unhappy at the prospect of abandoning the weapon which had proved so successful for Tesco in the 60s. Their recalcitrance probably owed something to the fact that going into stamps was Sir Jack's last great achievement and it would require a whole new trading philosophy if stamps were abandoned.

Even Porter, MacLaurin, and the other senior executives were at times hesitant about the move. They prepared their case for dropping stamps by a test-marketing operation in some of Tesco's Adsega stores (this confirmed the price sensitivity of the consumer) as well as a detailed study of the U.S. experience where stamps had fallen into disfavour some years earlier.

Moreover, Tesco repeatedly asked Green Shield to vary the terms of its franchise-agreement which restricted Tesco from dropping stamps from some stores while keeping them in others. Had Richard Tompkins, the man who founded and still owns Green Shield, agreed to this revision of the agreement then it was possible that Tesco would have renewed its five-year agreement with the trading stamp company when it expired in June 1977.

But Tompkins maintained a hard line and Porter and MacLaurin became even more convinced that the decision to drop stamps was right not only in the short term conditions of the mid-1970s but also to provide a more adventurous strategy for its trading operations in the 1980s.

Tesco's greater than expected success, however, also put it in the embarrassing position of straining almost to the point of breakdown its distribution system—one of the most vital ingredients in a successful retail operation. In April, 1977, Tesco's grocery warehouses were handling some 1.75m grocery units per month; just after "Operation Checkout" was launched, the figure was 2.4m and a level just below this has been maintained ever since.

Tesco responded to the pressure this caused by locating and opening a new 100,000 sq ft warehouse within three months of the Checkout campaign starting at a cost of about £1m. Since then, the company has made plans for a further expansion of its distribution network to come on stream early next year to cope with any future upsurge in sales.

Not surprisingly, Tesco's overall success in changing its management style and aggressively adopting a new trading philosophy has revitalised the company's image and made it an obvious target for takeover rumours. One of the most persistent suitors is believed to be BAT Industries which has been conspicuously unsuccessful in its previous grocery retailing aspirations, notably with International Stores. But the grocery trade would be extremely surprised if Tesco now decided to let others reap the benefits of its current success.

Mr. Lieslie Porter (left), chairman of Tesco, and Mr. Ian MacLaurin, the first non-family managing director of the supermarkets group. The new breed of non-family management has largely worked its way up through the ranks and four out of five regional managing directors, all in their early 40s, are products of Tesco's recruitment and managing development policy.

A watchful eye on Dutch companies

ITS NAME is unwieldy and its office spartan but in the Netherlands the "Foundation for the investigation of business information"—SOBI—can claim an impressive list of achievements in its first two and a half years. By a series of actions brought against companies charging incomplete or improperly drawn up accounts SOBI has already made a considerable impact on the body of company law in the Netherlands.

It was founded in April, 1976, by Mr. Pieter Lakeman and a few friends to ensure that everyone involved in a company's activities—shareholders, employees, works councils and creditors—was as well informed as the directors. It is prepared to carry out investigations and give advice to anyone who approaches it, while it also undertakes work on its own initiative.

SOBI looks at annual reports, prospectuses, half-yearly and quarterly reports and other public statements by companies, to see if they conform to company law. If it comes across what it thinks to be improperly drawn up accounts or incorrect statements it will take up the case with the Business Chamber of the Amsterdam court, with the public prosecutor's office or with the disciplinary council of the Institute of Dutch register accountants (NIVRA).

SOBI was born out of the more broadly based "Foundation for Socially responsible shareholding" when Mr. Lakeman realised the need for more detailed information about companies.

Surprisingly, in a country noted for its social conscience and the readiness of its citizens to protest against abuse, nothing existed in the business sphere until SOBI came along. "It provides a rare combination of legal and economic expertise," Mr. Lakeman says. "Accountants and business consultants tend not to know much law while lawyers have no economic background." With Lakeman to provide the economic know-how the legal input comes from lawyers on SOBI's advisory council and from other lawyer contacts.

After studying econometrics in Amsterdam, Lakeman joined the Rotterdam shipping company Van Ommeren where he became the head of their small operations research department. "I had a very good job but I thought I should develop over a broader area. After three years I left to set up SOBI. I feel more satisfied with my work now. I feel it is more useful."

Mr. Lakeman, now 36, is not on the payroll of SOBI. He is living on his savings from his time with the shipping firm and on fees for writing articles. "Friends doubted if SOBI would succeed but the first two to three years have gone as I expected."

Challenging company accounts is not SOBI's only activity but it is the most visible part and one which up to now has taken up a great deal of time. Its success rate to date is 3½ wins to 1½ defeats.

SOBI's first success came a month later when the business chamber quashed the 1974-75 accounts of the foundry and metal products company Vulcaansoord and ordered the Board to prepare a new set. After a further delay in producing the accounts SOBI sought an injunction. The court ruled again in SOBI's favour but decided not to press for the accounts to be made up on the grounds that the company had been placed in the hands of the receiver. SOBI is about to appeal against this decision.

Pressure

It persuaded the court to order the since-liquidated starch and foodstuffs group Scholten-Honig (KSH) to produce an attendance list of the 1977 shareholders meeting in order to be able to call an extraordinary meeting to bring pressure on the company's management. KSH appealed but the original judgment was upheld. Continuing to take a close interest in KSH's troubles, SOBI succeeded in getting the business court to annul the company's 1974-75 accounts. The supreme court is still considering KSH's appeal, while SOBI now plans to seek a court order for KSH to produce properly-audited figures for 1976-77. It has so far only produced provisional results. The half-victory was the acceptance by the court of part of SOBI's action against the Amsterdam company Eggerding to get it to produce full accounts.

SOBI's challenge of the 1975 accounts of Holland Amerika Lijn Holding is still before the court and Lakeman is now preparing to contest the 1977 accounts. The court's judgment on actions against the transport, storage and property concern Pakhoed Holding and the Van Gelder paper group are expected early next year.

SOBI expects the number of court actions to decline as a body of law is built up. Although SOBI's legal costs are low because it conducts its own actions and can call upon the help of friendly lawyers for advice, court cases are still costly and time-consuming. A reduction in court appearances would leave time free for the more profitable investigations for works councils and other bodies. Companies must pay for these investigations even if the outcome is not to their advantage.

How have accountants reacted to SOBI's challenge to their work and reputation? "In the long term SOBI's work is in the accountants' own interests," Lakeman says. "In the short term though, they feel left out in the cold." SOBI's activities have already led to a strengthening of the accountant's hand when directors attempt to persuade him to put a favourable interpretation on the accounts. "I hear that directors are now being confronted by their accountants who argue 'We cannot do that or we will be taken before the business chamber by SOBI'," he says, with understandable satisfaction.

The vagueness of legislation has meant companies could put pressure on accountants. "Since the accountant is paid by the company, the directors can put pressure on him. The directors can say: "Look, this is not forbidden" and that is true, because in many areas little was forbidden."

Lakeman welcomes plans for a European community directive to require companies to draw up their accounts according to a uniform set of rules. This is expected to come into force in mid-1980. But the setting-up of the Dutch business chamber indicates that the Netherlands is already well advanced with its own regulation.

The growing volume of Dutch — and eventually European — legislation will mean SOBI can devote more time to investigations for works councils, shareholders and others. Lakeman sees a growing need for investigations into the circumstances of company liquidations. He feels this is an area where creditors in particular have not come off well in the past.

Lakeman is at present chairman of SOBI but it plans to make him a salaried director. It also plans to seek a subsidy from the Government. "We perform a public service, which is really the task of the public prosecutor," Lakeman says. "We carry out public work without the disadvantages of being a Government department with a bureaucratic apparatus. We don't want the subsidy to become our only source of income though. I'm fairly confident we will get it."

Charles Batchelor

LOMBARD

Why science is irrelevant

BY GEOFFREY OWEN

IT IS PART of the conventional wisdom that the UK is good at basic research but bad at applying the results. This is a theme which appears in a recent report on Japanese industry by the Select Committee on Science and Technology. It was also taken up last week by Sir Alan Cottrell, former chief scientific adviser to the Cabinet, in a lecture to the Royal Institution. Sir Alan pointed to the contrast between the flourishing state of the basic sciences in this country (as measured, for instance, by the number of Nobel prizes won and great discoveries made) and the weakness of what he called "industrial science."

Less commercial

From the early post-war years, successive governments generously supported basic science, in the hope that science would do for our peacetime economic problems what it had done for our military problems during the war. Governments desperately wanted to create and foster science-based industries which would conquer the world. But the total effect of government policy, Sir Alan concludes, has been to achieve the very opposite of what was intended. "Pure science—the less commercial, the better—has prospered under these policies, but industrial applied science has been discouraged."

Sir Alan is undoubtedly right in putting the blame for this disappointing outcome not on science policy as such, but on industrial policy in the broadest sense. The Government has instituted a number of minor programmes for the scientific strengthening of industry, such as the National Research Development Corporation. But any successes they may have achieved have been totally submerged by "major national policies which have had devastating effects in the very opposite direction." Sir Alan lists the familiar catalogue of nationalisation, investment in white elephant projects, support for lame ducks and all the other policies which have made the climate for industrial enterprise unfavourable.

All this is perfectly valid as far as it goes, but one cannot help wondering whether the concept of basic versus applied science is particularly helpful or relevant to an understanding of the reasons for Britain's poor industrial performance. The assumption is sometimes made that if only our brilliant scientists could be persuaded to apply their discoveries to industrial products and processes, we could begin to catch up with our competitors. But has our industrial weakness really got much to do with "science," whether pure or applied?

Several studies have shown that the process of innovation in industry stems more from the pull of the market than from the push of scientific discovery; in any case dramatic innovations are probably less important to industrial competitiveness than continuous technical improvements. Industry is about designing, making and selling useful things which people want to buy. What Britain has lacked is the competence to make the right product at the right price and at the right time. this has to do with engineering, not with science.

Mr. Michael Fores has argued in several recent papers that the confusion of engineering with science is a peculiarly British error which has had lasting ill-effects. It is illustrated, for example, in the name of the building in South Kensington which houses steam engines, aeroplanes and such-like objects—the Science Museum. Whereas London has its Imperial College of Science and Technology, none of the great Continental engineering schools have the word "science" in their titles; these schools teach parts of natural science in the course of producing engineers. What technology means is not at all clear; it has been defined as "a word used by non-technologists to describe what the other people are about."

Low prestige

The over-valuation of science and the notion of engineers as rather inferior and perhaps more money-conscious scientists have contributed to the low prestige and low earning power of the engineering profession in this country compared with the rest of Europe. It may also have contributed to an excessive pre-occupation with "science-based" industries like aerospace at the expense of mechanical and electrical engineering which are much more important to the country and where our competitive performance in relation to, say, West Germany is particularly weak.

The use of technical skills in the design and manufacture of useful artifacts to meet customers' requirements is an honourable occupation in its own right. It is men who have these skills who are normally to be found at the top of successful German companies, and they do not regard themselves as applied scientists. How to raise the status of the occupation and attract more able people into it is perhaps the central industrial problem for this country.

A disputed penalty

BY JOHN GRIFFITHS

IT WAS lunchtime football as usual on the strip of grass outside Leyland Vehicles' truck and engine factory in the west London town of Southall this week. But the plant's players and the rest of its 2,150 strong workforce claim that they themselves have been used as a football by BL in its restructuring operations, while on the touchlines the rest of the town wonders anxiously quite what the effects of the plant's now almost inevitable closure will be.

BL announced on Monday that the plant, which under its former name of AEC has made buses and trucks at Southall since 1926, and which was taken over by British Leyland in 1963, must close. BL insists that, in a fiercely competitive sector of the vehicles industry, production must be rationalised to match expected demand and that the Southall works, an old plant, is a non-starter in the rationalisation strategy.

But the Southall men claim that the plant could make money, and that the reason for failure to meet production targets has been a deliberate rundown which has seen the plant starved of components.

Union leaders at the plant have vowed to fight the closure, and a mass meeting is scheduled for today. Roger Butler, district secretary of the plant's largest union, the Amalgamated Union of Engineering Workers, says that the effects of closing Southall's biggest single employer would be so dire that "a political decision is needed to keep the plant open." Ealing council has also made representations to both Government and BL and plans further deputations.

But the chances of a reprieve appear negligible. The Department of Industry has already told the borough that the Government will not stand in the way of commercial decisions by BL's chairman, Michael Edwardes, if backed by the National Enterprise Board—and it is clear that the plant's future has already been discussed by BL's Board and the NEB.

Clearly, too, many of the work-force have been expecting the move and are resigned to the fact that the plant will go. The first batch of 250 voluntary redundancies, agreed two months ago, will soon take effect, and the rundown should be complete by June of next year. Redundancy terms, like those for BL Cars' Speke plant on Merseyside, include extra compensation for co-operating with the rundown and transfer of work elsewhere. "They've got us over a barrel," observes Ken Wade, a fitter with 14 years' service, who expects to pick up £3,000 or so in redundancy pay to cover a recently taken-on mortgage while finding a new job.

Obtaining that job without digging up his Southall roots may present difficulty, for Southall's story is one of long and steady decline. Roger Butler's claim on Wednesday that "the town is shell-shocked" might be melodramatic. But with hints of run-down at other of the area's employers also in the air, local officials are voicing deep concern.

AROUND BRITAIN

SOUTHALL

Southall's current unemployment rate of 5.3 per cent among men—covering some 1,000 workers—may not be high when set against hard-core inner London areas, such as Poplar, with its 13.7 per cent; but it is still the highest in outer London. Some 600 of the unemployed are young men, and there are suspicions that further significant but unrecorded unemployment exists among Asians and West Indians who, in the two central wards of Northcote and Glebe, account for 50 per cent or more of the population. The throwing of a further 2,000-plus men into the labour market has led union, council and Chamber of Commerce officials to voice fears of an increase in racial tensions being exploited by extremists.

Currently, a fairly unstrained modus vivendi exists between the coloured population occupying the 80-100-year-old houses of the central core and a white population which mainly occupies the inter-war semi-detached homes on the outskirts, but into which the Asian population continues to radiate.

Council and Chamber of Commerce officials are setting up a working party to try and reverse the flow of industry away from the area. Ealing council, which swallowed up the old Southall Council in the local government reorganisation of 1964, has acquired powers to make industrial loans under the Inner Urban Areas Act—but has been given no extra funds with which to make them.

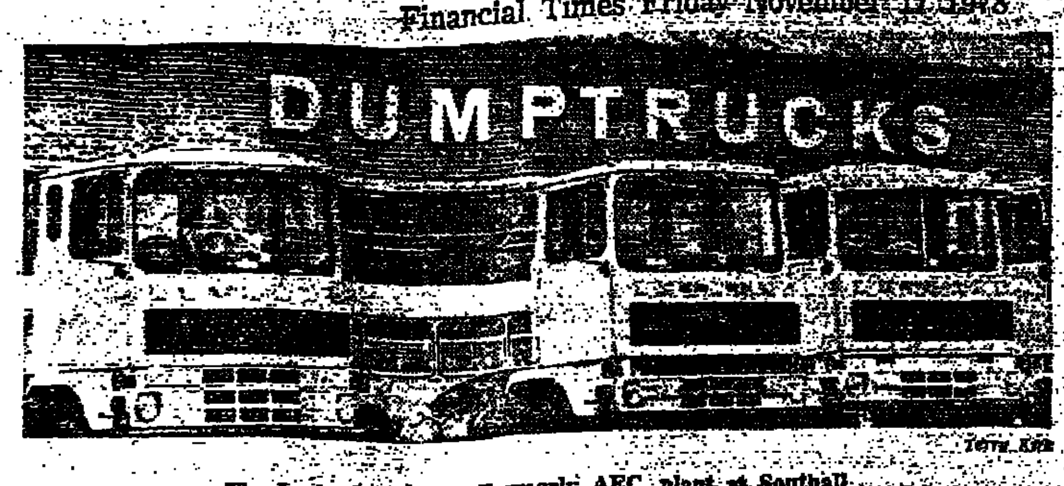
John Beeston, president of the Chamber of Commerce, stresses that the town has got to work hard to sell itself: "Southall is right on the edge of the biggest and most prosperous domestic market in the UK. We're plugged into the national motorway network (the M4 runs immediately to the south: the M40 to the north, and the M25 ringing London will pass to the west); we've got Heathrow airport right on the doorstep and it's even possible to load goods at the Leyland plant straight onto the Grand Union Canal for London docks—it's an ideal site for a multi-national's European operations."

There is no shortage of land: acres of derelict industrial sites line the main rail route from Paddington to the west where it cuts through Southall.

The Leyland site, its long-term future undecided, would add 60 acres to that stock. But at the same time, local officials concede that they are facing an unequal struggle to pull in new industry to sites already housing problematical old buildings, and against the rival draw of Government financial incentives offered first to the regions' development areas and now to the inner-city cores, of which Southall officially does not form a part.

It is a struggle made yet more difficult by the fact that Southall itself has for so long been the subject of neglect. There has been virtually no improvement to infrastructure for the past 20 years, and the result is heavily congested roads, an abysmal lack of parking facilities and poor public transport, although a north-south bypass promised for 1982 should ease matters.

But change is coming to the area, in the form of a campaign to revive some of the civic pride which disappeared with the changes in Southall's demographic structure. Much of the impetus for it has come from the Asian community, in particular from Shambhu Gupta, a borough councillor, who has given up his Brunel University lecturer's post to spearhead a clean-up drive and who in the process has earned the nickname of "Southall's Mr. Clean."



Terry Kirk

The Leyland Vehicles, Formerly AEC, plant at Southall

Midnight Court can improve his impressive Ascot record

RACING

BY DOMINIC WIGAN

A GOOD covering of grass and a fair bit of rain in the last couple of days has provided several small but intriguing races for Ascot this afternoon.

Midnight Court, undefeated in seven races last season including the postponed Cheltenham Gold Cup, takes on four opponents in the Kirk and Kirk Hurdle over 2½ miles, and it will be fascinating to see whether he can add to an already impressive course record here.

The Uplands chaser may not be as quick as he was over the minor obstacles, but I still expect him to take advantage of the 9 lb he receives from Kybo who came down heavily at the fifth flight in the Marlow Ropes John Skeaping Hurdle at Sandown on November 2 when challenging Grand Canyon.

The Kirk and Kirk Chase could provide Uplands with another good winner, for Flashy Boy has only Jan Stewer, My Friendly Cousin and Roman Holiday to beat.

Having his first race for his new stable at Worcester on November 4 Flashy Boy kept on well in the closing stages of a 2½ miles chase to finish a respectable sixth of 11 behind The Champ.

With the benefit of that much-needed run and an additional half-mile, Flashy Boy may prove up to giving 21 lb to the course and distance winner My Friendly Cousin.

The Fred Rimell Dike gelding Dowdall has attracted a fair amount of Champion Hurdle interest in the last few weeks and it will clearly come as a disappointment and a blow to many if he cannot win Division Two of the Bingley Novices Hurdle.

Clearly an above-average hurdler Dowdall should prove good enough to outpoint Orange Tag.

The Tote has produced the first prices for the Colonial Cup to be run at Camden, South Carolina tomorrow. They are: 2-1 Grand Canyon and Cafe Prince, 6-1 Owhata Chief, 7-1 Fire Control, 10-1 Leaping Frog, 14-1 The Champ, 20-1 Deux Coups, 33-1 Mister Know All, 66-1 Over the River and Tribune.

ASCOT
1.00—Bedford Lodge**
1.35—Ramblix
2.05—Catsgore
2.35—Midnight Court***
3.05—Flashy Boy
3.40—Dowdall*

TV/Radio

† Indicates programme in black and white

BBC 1

10.00 am For Schools, Colleges. 10.45 You And Me. 11.05 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 Heads and Tails. 2.02 For Schools, Colleges. 3.20 Llangollen 78 Eisteddfod. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Hong Kong Phooey. 4.30 Jackanory. 4.45 Captain Caveman. 4.55 Crackerjack.
5.40 News
5.55 Nationwide (London and South-East)
6.20 Nationwide
7.00 Tom and Jerry
7.10 Star Trek
8.00 Going Straight
8.30 Rings On Their Fingers
9.00 News
9.25 Target
10.15 Tonight—In Town (London and South-East only)
10.45 Regional, National News
10.50 The Late Film: "Southwest to Sonora," starring Marlon Brando.

All Regions as BBC-1 except at the following times:

Wales—1.45-2.00 pm Nant-Y-Pant. 5.55-6.20 Wales Today. 7.00 Heddiw. 7.30-8.00 Cawl A Chan. 10.15 Kane on Friday. 10.45-10.50 Regional and National News.

Scotland—10.20-10.45 and 11.05-11.25 am For Schools. 5.55-6.20 Reporting Scotland. 10.15 Spectrum. 10.45-10.50 Regional, National News.

Northern Ireland — 10.23-10.43 am For Schools (Ulster in Focus). 3.53-3.55 Northern Ireland News. 5.55-6.20 Scene Around Six. 10.15 Festival Gallery at Queen's University. 10.45-10.50 Regional, National News.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 10.15-10.45 East (Norwich) Times Remembered; Midlands (Birmingham) Girl Friday; North (Leeds) Close-Up North; North East (Newcastle) Friday North; North West (Manchester) Home Ground; South (Southampton) It's Your Bid; South West (Plymouth) Peninsula; West (Bristol) Public Life.

BBC 2

11.00 am Play School (As BBC-1 3.55 pm)
1.25 pm Racing from Ascot/ Tennis—Benson and Hedges Championships
5.35 News on 2 Headlines
†5.40 Laurel and Hardy Showcase: "Towed in a Hole"
6.00 The Voyage of Charles Darwin
7.00 Mountain Days
7.30 Mid-Evening News
7.35 Delia Smith's Cookery Course
8.00 Country Game
8.30 Westminster
9.00 Butterflies
9.30 Horizon
10.20 Sounds Like Friday: Leo Sayer
10.50 Late News
11.05 Tennis—Benson and Hedges Championships (highlights)
11.45 Rock Goes To College
12.25 am Closedown (Reading)

LONDON

9.30 am Schools Programmes. 11.54 Beany and Cecil Cartoon. 12.00 A Handful of Songs. 12.10 pm Rainbow. 12.30 Three Little Words. 1.00 News plus FT index. 1.20 Thames News. 1.30 Farmhouse Kitchen. 2.00 Money-Go-Round. 2.25 Friday Matinee: "McNaughton's Daughter." 4.15 Raven. 4.45 Magpie. 5.15 Thames Sport.
5.45 News
6.00 Thames at Six
6.20 Emmerdale Farm
7.00 The Muppet Show
7.30 Sale Of The Century
8.00 General Hospital
9.00 Vegas
10.00 News
10.30 Police 5
10.40 Soap
11.10 The London Programme
12.10 am George Hamilton IV
12.40 Close: Derek Gilbert reads a poem by Robert Herrick.

All IBA Regions as London except at the following times:

ANGLIA

1.25 pm Anglia News. 2.25 Friday Film Matinee: "The Million Pound Note." starring Gregory Peck. 5.15 Happy Days. 6.00 About Anglia. 10.30 Probe. †11.00 Friday Late Film: "Only Two Can Play," starring Peter Sellers, Mai Zetterling and Virginia Maskell. 12.55 am Men Who Matter.

ATV

1.20 pm ATV Newsdesk. 2.25 Movie Matinee: "The Million Pound Note." starring Gregory Peck. 5.15 Happy Days. 6.00 ATV Today. 10.30 Soap. 11.00 The Creature Feature: "The Creeping Flesh," starring Peter Cushing and Christopher Lee.

BORDER

†1.20 pm Border News. 2.25 Matinee: "Smashing Time." starring Rita Tushingham and Lyn Redgrave. 5.15 Garnock Way. 6.00 Lookaround Friday. 6.30 Thingummyjig. 10.30 Your MP. 11.00 Late Film: McCloud. 12.00 am Border News Summary.

CHANNEL

1.18 pm Channel Lunchtime News and What's On Where. 1.30 First Act. †2.25 The Friday Film: "Notorious." 5.15 Emmerdale Farm. 6.00 Report at Six. 6.35 The Lost Islands. 7.30 Bernie. 10.28 Channel Late News. †10.32 The Late Movie: The Legend of Lylah Clare." 12.45 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm Grampian News Headlines. 2.25 Friday Matinee: "Journey to the Far Side of the Sun." 5.15 Emmerdale Farm. 6.00 Grampian Today. 6.30 The Muppet Show. 7.00 Welcome to the Ceilidh. 10.30 The Entertainers: Vince Hill. 11.00 Reflections. 11.05 The Friday Film: "Satan's School for Girls." 12.30 am Grampian Late Night Headlines followed by Road Report.

GRANADA

1.20 pm This Is Your Right. 1.30 The Amazing World of Kreskin. 2.25 Friday Matinee: "A Girl Named Sooner." starring Lee Remick. 5.15 This Is Your Right. 6.00 Granada Reports. 6.30 Kick Off. 10.30 Reports Extra. †11.00 Friday Film: "The L-Shaped Room," starring Leslie Caron and Tom Bell.

HTV

1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 2.00 Women Only. 2.25 The Friday Matinee: "Green Fire," starring Stewart Granger and Grace Kelly. 5.15 Laverne and Shirley. 6.00 Report West. 6.15 Report Wales. 6.30 Emmerdale Farm. 10.35 Report Extra. †11.05 The Friday Film: "Carry on Cabby," starring Sidney James, Hattie Jacques and Kenneth Connor.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion Y Dydd. 4.15-4.45 Plant Y Byd. 6.00-6.15 Y Dydd. 10.35 Letter by Letter. 11.05 Outlook. 11.35-12.30 am The Outsiders.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

1.25 pm News and Road and Weather. 1.30 Houseparty. 2.25 Friday Matinee: "The Million Pound Note," starring Gregory Peck. 5.15 Mr. and Mrs. 6.00 Scotland Today. 6.30 Emmerdale Farm. 7.30 Welcome to the Ceilidh. 10.30 Ways and Means. 11.00 Late Call. 11.05 Appointment with Fear: "Pursuit."

SOUTHERN

1.20 pm Southern News. 2.00 Women Only. 2.25 Friday Matinee: "Queen of the Stardust Ballroom." starring Maureen Stapleton. 5.15 Laverne and Shirley. 6.00 Day by Day. 6.00 Scene South East (South East Area Only). 6.30 Tell Me Another. 9.00 The Foundation. 10.30 Weekend. 10.35 The Southerners. 11.05 Southern News Extra. 11.15 Soap. 11.45 The Late, Late Show: "Between Wars," starring Corin Redgrave.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 1.20 North East News and Lookaround. 2.25 Friday Film Matinee: "A Walk in the Spring Rain." starring Anthony Quinn and Ingrid Bergman. 5.15 Mr. and Mrs. 6.00 Northern Life. 6.25 Sportstime. 10.30 The Friday Film: "In Search of Gregory." starring Julie Christie. 12.15 am Epilogue.

ULSTER

1.20 pm Lunchtime. 1.30 Rolf Harris. 2.25 Friday Matinee: "Smashing Time." starring Rita Tushingham, Lynn Redgrave and Ian Carmichael. 4.13 Ulster News Headlines. 5.15 Mr. and Mrs. 6.00 Reports. 6.30 Sportscast. 10.30 Friday Film: "Testimony of Two Men." 12.25 am Bedtime.

WESTWARD

11.55 am Cartoontime. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 1.30 First Act. †2.25 The Friday Film: "Notorious." starring Ingrid Bergman and Cary Grant. 5.15 Emmerdale Farm. 6.00 Westward Diary. 6.35 Time Out. 7.30 Bernie. 10.28 Westward Late News. †10.30 The Late Movie: "The Legend of Lylah Clare," starring Kim Novak. 12.45 am Faith for Life.

YORKSHIRE

1.20 pm Calendar News. 2.25 Friday Film Matinee: "Town on Trial." starring John Mills. 4.20 Cartoon Time. 5.15 Happy Days. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Calendar Sport. 10.30 The Many Wives of Patrick. 11.00 Richie Brocklehurst.

RADIO 1 247m

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.00 Simon Bates. 11.30 Paul Burnett. 2.00 pm Tony Blackburn. 4.30 Kid Jensen. 6.00 Roundtable. 7.30 As Radio 2. 10.02 The Friday Rock Show (S). 12.00-2.02 am As Radio 2.

RADIO 2 1,500m and VHF

5.00 am News Summary. 5.02 Tony Brandon (S) including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.50 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Barn Dance in the Radio 2 Ballroom (S). 8.02 Neil Richardson conducts the BBC Radio Orchestra (S). 8.45 Friday Night is Music Night (S). 9.55 Sports Desk. 10.02 Support Your Local. 10.30 Let's Go Latin with Pete Winslow's Brazilian Sound. 11.02 Tennis—Benson and Hedges: latest news. 11.03 Brian Matthew introduces Round Midnight including 12.00 News. 2.00-2.02 am News Summary.

RADIO 3 464m, Stereo & VHF

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Hummel (S). 9.50 Young Artists Recital (S). 10.50 BBC Northern Ireland Orchestra (S). 11.35 Clarinet and Piano Recital (S). 12.15 pm Midday Concert, part 1 (S). 1.00 News. 1.05 Playbill (S). 1.20 Midday Concert, part 2 (S). 2.00 Southern Cathedrals Festival 78 (S). 3.35 Cello and Piano recital (S). 4.15 In Short (talk). 4.25 Vivaldi concert (S). 4.50 Young Composers 78 (S). 5.45 Homeward Bound (from 6.20). †6.30 At Home (Schnabel plays Beethoven). 7.30 Schubert concert, part 1 (S). 8.35 The Pursuit of Happiness in the 18th Century. 8.55 Schubert, part 2 (S). 9.35 The Objet d'Art (story by Chekov). 9.45 John Jenkins concert (S). 10.30 Music Now. 11.15 Alistair Cooke's Jazz 20s. 11.45 News. 11.50-11.55 Tonight's Schubert Song on record.

Radio 3 VHF Only—6.20-7.30 pm Open University.

RADIO 4

434m, 330m, 285m and VHF

6.00 am News Briefing. 6.10 Farming Today. 6.30 Today: Magazine, including 6.45 Prayer for the Day. 7.00 and 8.00 Today's News. 7.30 and 8.30 News Headlines. 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Local Time. 9.35 The Pleasure Principle. 10.00 News. 10.05 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Down Your Way visits Comrie, Perthshire. 11.45 All at Sea. 12.00 News. 12.02 pm You and Yours. 12.27 My Word! (S). 12.55 Weather: programme news. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour from Birmingham including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 "Under Milk Wood," play by Dylan Thomas (S). 5.00 PM: News magazine. 5.55 Weather: programme news. 6.00 News. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of the Week (S). 8.10 Profile. 8.30 Any Questions? 9.15 Letter from America. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Week Ending (S). 10.55 Fritz on Friday. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

206m and 94.9 VHF

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 11.40 Lobby. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 London Sports Desk. 6.35 Good Fishing. 7.00 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Track Record. 10.00 Late Night London. 12.00-Close: As Radio 2.

London Broadcasting

261m, 417m and 97.3 VHF

5.00 am Morning Music. 6.00 AM: non-stop news, information, travel, sport. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale's 3 O'Clock Call. 4.00 LBC Reports (continues). 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

194m and 95.8 VHF

6.00 am Graham Dene's Breakfast Show (S). 9.00 Tony Myatt (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Bryan Wolfe's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Mike Allen's Late Show (S). 2.00 am Ian Davidson's London Link International (S).

F.T. CROSSWORD PUZZLE No. 3,825

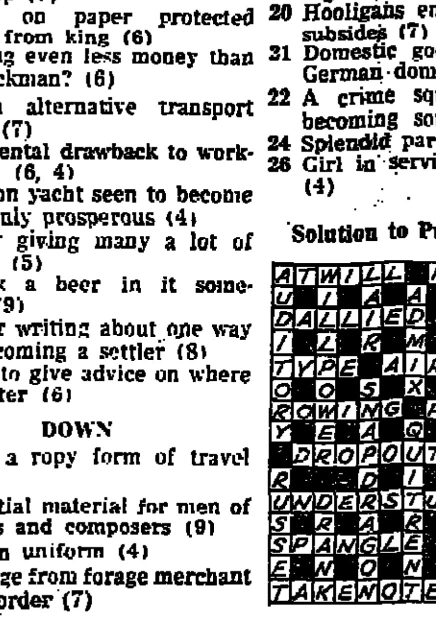
ACROSS

1 Tin church left cross out (6)
4 Passionate to alter cliche or. . . . (8)
10 . . . operatic heroine at a stroke (9)
11 Line of trees loses a scene of action (5)
12 Catch sight of eastern agent (4)
13 Job transfer (10)
15 It paves the way for snake to stop (7)
16 Head on paper protected child from king (6)
19 Having even less money than a stockman? (6)
21 Match alternative transport craft (7)
23 Accidental drawback to workhouse (6, 4)
25 Pole on yacht seen to become suddenly prosperous (4)
27 Fancy giving many a lot of paper (5)
28 Drunk a beer in it somehow (9)
29 Officer writing about one way of becoming a settler (8)
30 Exist to give advice on where to enter (6)

DOWN

1 What a ropy form of travel (5, 3)
2 Essential material for men of letters and composers (9)
3 Just in uniform (4)
5 Message from forage merchant in disorder (7)
6 Just enough pay for a parson (6, 4)
7 Artist born with name of eastern princess (5)
8 Design to raise Cain (6)
9 Compensation for going to party (6)
14 Game with two kinds of bacon (10)
17 Fix allowance of beer on logical basis (9)
18 PM on point of going to first night (8)
20 Hooligans emerge as quarrel subsides (7)
21 Domestic god goes over the German domestic store (6)
22 A crime squad one caught becoming sour (6)
24 Splendid part of organ (5)
26 Girl in service gets the bird (4)

Solution to Puzzle No. 3,824



Grand Theatre, Leeds

Samson et Dalila

by RONALD CRICHTON

English National Opera North was launched with a bang on Wednesday night at the home base of Leeds. The present, welcoming and now centenarial Grand Theatre was packed, the mood cordially expectant. Cautious optimism was justified: this was the most heartening occasion of the kind since Scottish Opera moved into their Glasgow home. The central powers have acted with quickness and decision. Now it is up to local authorities in the areas concerned to do their bit. In these weird times when the public for opera steadily grows and widens while available funds freeze and shrink in value, all forms of support are essential.

The opening performance indicated that the musical foundations have been stoutly laid. Not all my colleagues, I know, share my lingering affection and respect for Saint-Saëns and his *Samson*. They must surely admit that it was an astute choice for the opening. French opera has come back: unlike many other once-popular works of its day, *Samson* has never entirely vanished from sight: the big tunes are lodged in the public memory—there must still be people in these parts who remember or at least have heard tell of days when the work was a concert favourite. Shaw did a withering and grossly unfair hatchet job on one such performance. On this occasion the semi-oratorio, hybrid nature of the work was an advantage.

The long opening choral scene in which Samson incites the lamenting Jews against their oppressors, soon showed that David Lloyd-Jones and his colleagues have picked up a lusty chorus. The subsequent Dance of the Priestesses even more strongly confirmed the already high standard of the English Northern Philharmonia. In fact Mr. Lloyd-Jones was the main hero of the evening for the Russian-type zest and forcefulness he brought to a score always in danger of smothering in its own statelyness, also for the speed and efficiency with which he had prepared chorus and orchestra—more vital to the permanent well-being of an opera company than star soloists.

Not that these were lacking. Samson is sung by Gilbert Py, a dramatic tenor from France. He gives a credible and sympathetic portrait of a strong man besotted and ashamed of his weakness. The top of the voice rings out strongly—lower down there is some unsteadiness, but to have a human being as the hero of this tale instead of the usual hunk of might is an advantage. Mr. Py made little of the blinded Samson at the treadmill—not one of the score's strongest pages. Meyerbeer would have contrived something more effective here. Otherwise, seeing Samson so soon after *L'Africaine*, one couldn't help admiring the ease with which Saint Saëns can keep a musical idea running long after Meyerbeer would have run out of breath.

The Dalila of Katherine Pring is human too—rather excessively so, for this darkly handsome strong-jawed, energetically bustling lady hardly suggests the lethally calculating and treacherous priestess-siren the story implies. Miss Pring is too experienced an artist not to make an effect with some of the music, especially vigorous numbers like the almost Verdian duet with the High Priest of Dagon in Act Two. Some resounding chest notes apart, Dalila's big solo disappoints—little trace of silken line, still less vocal seductiveness.

The supporting performances are good, with a most promising study of the High Priest from John Rawnsley, a touching Old Hebrew from John Tranter (two young singers with an encouraging motion of legato style) and an effective Abimelech from John Gibbs. The opera, presumably in honour of the tenor, is sung in French. Better French, it is a relief to say, than we heard at Covent Garden earlier in the week, slight though that compliment may be. A small group of dancers is tactfully handled by Terry Gilbert—the bacchanal sensibly involved chorus and principals as well.

Patrick Libby's production in designs by John Stoddart conjures an effective spectacle out of little. Mr. Libby skilfully disposes his large company on the narrow stage. He is least convincing in the dull unsuggestive movements imposed on his heroine. Mr. Stoddart's sets are economical but not dreary. For once, thank Heavens, no black surrounds. This designer is rather too fond of that brilliant pillar-box red that looks desperately fancy-dress under stage lighting—the choice of the hue for the entrance to Dalila's cave-dwelling ought to have made Samson run for his life. The final catastrophe, when the blinded hero pulls down the temple pillars and destroys the lot, is pretty well managed. If the aforesaid local authorities take the hint about what happens to obstinate Phillistines, the choice of *Samson* will turn out to be even shrewder than one thought.

Gilbert Py

Cinema

The Mess of Vietnam

by NIGEL ANDREWS

Not many films with a cast list headed by Jane Fonda and Donald Sutherland lie on the shelf for several years while their distributors scratch agonised heads over how, or whether, to release them. One of two possible reasons usually accounts for the delay. Either the film is politically controversial; or it is just plain bad.

Or in some cases it is both. F.T.A., this week's only new London release, is a record of the overseas tour that Fonda, Sutherland and other performers undertook in 1971, carrying their anti-military revue "F.T.A." (which stands for Damn The Army) to various corners of the Pacific, hoping to whip up pacifist feeling among the soldiers fighting in the Vietnam War. Banned from performing in military bases, they hired nearby stadiums or theatres—in Okinawa, Hawaii, the Philippines, Japan—and presented their special pot-pourri of satirical sketches and songs to enthusiastic (so the film tells us) audiences of GIs.

Half the problem with the film is that the Vietnam war is a topic of debate virtually dropping on its feet with fatigue by now. All the arguments against the war, and most of the arguments for it, have been exercised *ad nauseam*. The other half of the problem is that the film, co-produced by Fonda, Sutherland and Francine Parker, and directed by Ms. Parker, is a hopeless mess both aesthetically and ideologically. Instead of a single-minded devotion to terminating the Vietnam war, the film slings half-baked radical ideas at us on every topic from charges of genocide in the war itself to racial and social inequalities at home and abroad.

Meanwhile the camera, when not reproducing the erratic contents of the revue itself (Jane Fonda's exuberance turns much base metal to gold, but the other performers, even Sutherland, have less alchemical flair), prowls around recording interviews with sundry servicemen and servicewomen, who feel and say more or less what Fonda and Co want them to say. Opposition is no more than token—visa troubles in Japan, a group of rednecked GI hecklers at one of the group's performances—and the film slowly, remorselessly wilts away from dialectical undernourishment.

In compensation, there are five forthcoming films at the London Film Festival that must be seen. I expressed my scepticism about the selection as a whole last week; but there are some isolated jewels, and they should be snapped up all the more voraciously for their rarity.

Sumitra Peries's *The Girls*, which I saw and mentioned from the Madras Film Festival, shows this evening (Friday) at the National Film Theatre and is an exquisite little film from Sri Lanka. Married to the foremost and most famous Singhalese director, Lester James Peries, Mrs. P. has struck out on her own here, and composed a fable of gently frustrated love and ambition that has a haunting sadness. The "two girls" are sisters, one ill-fatedly in love with a young schoolteacher, the other seeking glamour and fulfilment as a beauty queen. Mrs. Peries invests her story with a dreamy, narcotic beauty, and the film's drugged quietude — low-key performances, a love of veiling foreground decoration (fronds, branches etc.), mellifluously repetitive music — is quite hypnotic.

Ronald Chase's *Lulu* (Tuesday) is out of Frank Wedekind by way of Alban Berg and Aubrey Beardsley. The play is Wedekind's tale of a devious temptress who lures men to destruction until she herself is lured thither by the knife of Jack the Ripper. The music is Berg's, from his opera. And the visual style is High Camp in Tableaux, courtesy of Beardsley and the decadent *fin de siècle*. The film, however, is far from being the embalmed experience that this confluence of influences might suggest. *Chase* is one of those rare directors (Pabst another) who somehow manage to inject a contemporary frisson into the elaborate rituals of 19th century eroticism.

There is nothing erotic about *Nighthawks* (Sunday), which may be reassuring to some of you since it is about male homosexuals. A journey through the Stygian night and the concealing day of gay London, written and directed by Ron Peck and Paul Hallam, the film tells the story of a young schoolteacher and his hit-or-miss (mostly miss) searchings for True Romance. The film is mournfully funny, and more revealing than I think it knows. How many of the characters' amiably hangdog mannerisms, and the banal ties of everyday conversation (the script might have been co-written by Pinter), crept into the film unconsciously? But it is quite an eye-opener about homosexual life, and in its simple humanity perhaps the best British feature on view in the festival.

Next, *The Hills Have Eyes*, written and directed by Wes Craven and showing at the NFT next Friday. This extraordinary mish-mash of horror-cum-violence-cum-farce tells us more about the bizarre workings of the American Id than any film since *The Texas Chainsaw Massacre*. Like the latter, it is the story of a beleaguered group of "innocents" versus a nasty group of American psychopaths. The psychopaths here are a family of remote, hill-dwelling primitives with a penchant for ambushing and killing passers-by. The innocents are a family of "ordinary" Americans unwise enough to take their car and caravan on a back road through the Midwest. The two families meet, and after a brief exchange of incivilities mayhem erupts with a bloodthirsty, sardonic thoroughness that outstrips Jacobean melodrama. The film has the courage of its own "bad taste," and a fierce, unrelenting ingenuity in its storyline. Take a sense of humour and a cast-iron stomach and go and see it.

Finally, a miraculous 40-minute British short by Peter Greenaway. *A Walk Through H* was funded by the British Film Institute Production Board and makes up for many of the Board's aberrations to be found elsewhere in the festival programme. In the voice-off guise of a strange, plummy-voiced, possibly dead bird expert (the film's second title is *The Reincarnation of an Ornithologist*), Greenaway conducts us on an imaginary journey through dozens of multi-coloured maps. No human is seen, only these maps, interspersed with shots of birds in flight. Riddled with enigmas and *non sequiturs*, and often very, very funny, the film is like a Monty Python sketch specially written by Franz Kafka. It is arguably the best film in the entire festival, and it shows—put it in your diary—next Tuesday at 2.30 and 9.00.

A scene from "The Hills Have Eyes"

'Play Away' at Riverside Studios

Play Away, a Christmas entertainment of comedy, songs, music and jokes for all the family, will be presented from December 13/January 7 at the Riverside Studios, Hammersmith. It is presented in association with BBC TV and based on the BBC 2 series.

It will be performed by the regular team led by Brian Cant.

Lyttelton

Betrayal

by B. A. YOUNG

Trace backwards through a prism the bright hues of the spectrum, and you arrive, inevitably, at the single originating point of colourless light. The variety and the contrasts have gone. Those significant little lines which indicate the presence of this element or that are no longer to be seen. There is *nothing but plain white*.

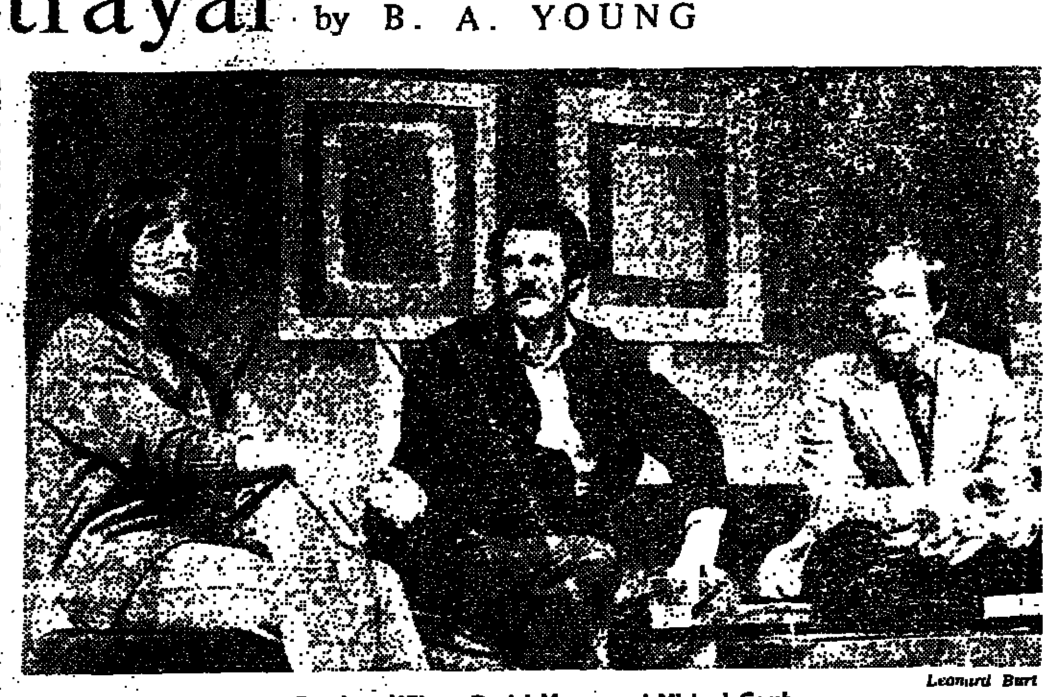
This is the process that Harold Pinter has chosen for his new play *Betrayal*. Through nine short scenes moving backwards in time from 1977 to 1968, save for a brief time-shift in 1973, we approach the beginning of *the events that* have led to the situations revealed in Scene One. In Scene One, Jerry and Emma sit in a pub recalling, with the occasional memory-lapses Mr. Pinter enjoys inventing, the background to their life together, which came to an end two years before.

Their life together was illicit, for both have wives and families. They have rented a flat in Kilburn and spend golden afternoons there when they can find the time from their occupations, he a literary agent, she the manager of an art gallery. This lasts seven years, though Emma's husband Robert knows what was going on. He has his own infidelities too; but he keeps quiet about those until two years after his wife's affair is done.

The extraordinary thing is that Mr. Pinter has presented these *nine episodes quite straight*. There are no subtleties to be picked up, or at least none that I discerned, though I did think how clever I was to notice the extra emphasis put on Emma's youngest child Ned in the first scene. It is of course interesting, as it was in the three plays of Alan Ayckbourn's *Norman Conquests*, to catch the references as they fall. But there are no complexities in the straightforward tale of multiple adultery, and the object of it seems to be put forward the rival claims of wife and mistress.

"Have *you ever* been unfaithful?" Emma asks Jerry one day as they prepare for a Kilburn afternoon. "Who to?" he asks. "To me, of course," she says firmly. *It is not altogether a new* argument; they have been faithful to each other in their fashion. What makes it such a dull one *in this instance is that Mr. Pinter* has made his characters such uninteresting people. There is no humour save occasionally when Robert ventures a witticism such as: "I've a good mind to write to the Doge of Venice about it." They are, I am sure, uninteresting because Mr. Pinter wants them to be so, and the colourless performances by Michael Gambon and Daniel Massey are no doubt exactly as colourless as he and Peter Hall, the director, require. Penelope Wilton, usually keeping something unspoken, is no brighter *than the men*.

Moreover there is the threat hanging over us all the time that we know precisely how the play must end. When it does so, in Emma's bedroom in 1968, when her husband is giving a publisher's party, it is just what it needs to be and no more, the little point of white light where Jerry, once best man at Robert's wedding, decides to seduce his wife. *Well*, so what? We knew that.



Leonard Burt

Penelope Wilton, Daniel Massey and Michael Gambon

Coliseum

Madam Butterfly

by ARTHUR JACOBS

No Shakespearean director would cast as Juliet an actress who has been playing roles of the calibre of Lady Macbeth for 20 years. Opera managements are for some reason less sensitive. Milla Andrew's impersonation of Butterfly—15 years old, as she tells us in Act 1—was not helped by the haggard look and long black hair in the suicide scene which might have done duty for the murderous, avenging Medea.

But whatever could be done by strong and supple singing, by *exceptionally good* diction, and by vivid (but never overdone) facial reactions, Miss Andrew did on Wednesday. In this way, and against odds, she achieved a true pathos in the role, rightly winning long applause at the end. Her attention to detail indeed recalls Ava June, who launched this English National Opera production so successfully four years ago. A highly convincing Pinkerton (Henry Howell), an outstanding Sharpless (Neil Howlett) and a most promising newcomer as the Bonze (Philip Joll) are among the supporting cast. They sing a translation (anonymous) which mostly modifies the traditional crudities but incongruously leaves a "magistrate" as a divorce judge in the United States.

Originally staged by Colin Graham, the production has retained its fluency under the guidance of Christopher de Souza. Fluency — indeed more than that, a quite exceptional expressive power—also marked the contribution of the orchestra *under Mark Elder's baton*. Less happily, Mr. Elder has also ventured a little way down the Welsh National Opera's path and has re-inserted some passages suppressed by Puccini's own revision. One of these, where Butterfly describes to the Consul how she first met Pinkerton, now seems particularly gratuitous. I think the composer also knew his business (and his audiences) when he split the original, over-long second act into two. Over-long is what it still is.

Purcell Room

Janacek Cycle

by DAVID MURRAY

The pianist Jan Latham-Koenig, his Koenig Ensemble and various soloists are mounting a "Janacek Cycle" in the Purcell Room to commemorate the 50th anniversary of the composer's death. All the piano music, the chamber and concerted music with piano and the song cycle *Diary of One Who Disappeared* are to be heard. The opening concert on Wednesday—the remaining ones are on November 22 and December 6—*also included the irresistible Mládi* ("Youth"), the wind sextet in which the 70-year-old Janacek evoked carefree days unsullied by second-guessing. The performance was a model, full of bright details that never *impeded the bubbling rush of* the music. It is a little masterpiece, quirky as can be but apparently quite guileless, and the clever players refused to impose too high a gloss upon it.

Given this wholly winning performance, one could forgive their inadvertent intrusions earlier: offstage tootling had been audible during the rests in *Pohadka*, Janacek's splendid "fairy tale" for cello and piano. The cellist was Alexander Baillie, who spun a shapely line with much subtlety, occasionally shaded by Latham-Koenig's assertive piano—striking a just balance in the Purcell Room is not an easy matter. The power of the work, another deceptively simple inspiration, was scarcely compromised: the pianist's enthusiasm was clearly in the right spirit. A little *Presto* for the same duo, new to me, made an excellent pendant to *Pohadka*, jagged, brief and striking.

The rest of the programme was for solo piano. If Latham-Koenig *pressed a degree or two more* violence into the early *Theme and Variations* than the music really seems to contain, his volatile identification with the fraught mature works — the Sonata 1.X.1905 and the cycle *In the Mist*—was entirely to the *point. Inevitably, he owes a debt* to Rudolf Firkusny's searching readings of these pieces, but his own playing is far too taut and fresh to sound second-hand. The emotional complexity of the music was rendered sharp and piercing, sometimes at the *expense of breadth* (and he is inclined to be brusque with endings): far better that than pious re-creation. The remaining concerts of the cycle recommend themselves fervently, and anyone who is not already a Janacek devotee will discover some remarkable music.

Scottish arts in danger

Like most arts associations, the Scottish Arts Council is worried about money. In its annual report, published yesterday, it said that its annual grant of just over £5m was not enough to secure the future of the national opera and ballet companies, two orchestras, and other theatres and art centres.

The arts are hit harder by inflation that most other institutions, and for the first time since 1967-68 the grant fell last year in real terms because of inflation. This was mainly because local authorities failed to sufficiently increase *their contributions*. However, the four major companies in Scotland—the Scottish Opera, Scottish Ballet, Scottish National Orchestra and Scottish Philharmonic Society, increased their audiences from 469,000 to 600,000.

In 1977 the council received 850 applications and gave 670 grants. A total of £140,000 was given to individuals, a jump of £24,000. As usual opera was the main beneficiary, receiving £1,145,920, as against the £1,097,012 which went to drama. But despite the deprivations, Scotland receives 12 per cent of national expenditure on the arts whereas it has just 9.7 per cent of the population.

FINANCIAL TIMES

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Friday November 17 1978

Calculated obscurity

ON THE FACE of it, the money supply figures for October, just published, do little to explain the decision last week to raise interest rates by a point more than the market had already dictated. The officially defined money supply, as the Chancellor had already indicated, has grown at an annual rate of only 7½ per cent in the first half of the financial year—below the official range of 8-12 per cent. Domestic credit expansion, at £2.5bn, is again well within bounds—only about 40 per cent of the £6bn allowed for the year has yet been taken up.

Out of hand

It is true that the first signs of the much-discussed funding crisis did at length appear in banking October: for the first time sales of central government debt of all kinds fell sharply below the monthly average of about £500m required for reasonable comfort (and £600m would be much better), and net sales of gilt edged stocks almost dried up. One might suspect the authorities of making another (and highly successful) attempt to break a log jam in the gilts market by raising short term interest rates high enough to generate hopes of a fall—what has become known as the Duke of York strategy. However, this is to confuse cause with effect. The gilts market dried up because of a general feeling that despite the official figures, credit expansion was getting out of hand. It has revived not because rates are expected to fall again, but because the rise in MLR convinced the market that the authorities were aware of the trouble and willing to check it.

It may seem ironic that as soon as a given definition of the supply of money becomes the objective of official policy, it begins to become misleading—and it is certainly ironic that the most convinced monetarists among analysts have been most willingly deceived. However, the trouble is inevitable, and has been experienced in every country which has enforced monetary targets. If the authorities chose to control the note circulation rather than any broader definition of money, the banks would encourage their customers to draw 50p pieces. When the banks in Ireland went on strike, the public made do with endorsed cheques and English notes. Liquidity and credit can take so many forms that however widely the official net is drawn, many fish will escape. The authorities must always observe not only their catch, but get some idea of general conditions, and adapt their policies accordingly.

The possible sources of distortion are numerous. The most discussed are the forms of private lending which by-pass the banking system — notably the sale of accepted bills to non-bank investors, which have been growing sharply since the imposition of the corset regulations forced banks to limit the growth of their own books. This takes the place of the on-lending of deposits by the banks, but is not measured either in the money supply or in DCE. Another, less discussed, is the proper weight to give to official sales of certificates of tax deposit. So far as these are used instead of money to pay taxes, they can hardly count as any form of funding of the public sector deficit. A third arises when the local authorities effectively go into the banking business, bidding for the seven-day deposits which the banks do not wish to take for fear of exceeding their official limits, instead of borrowing from the banks.

Understate

In these and many other possible ways, such as direct inter-company lending (which still appears subdued) or non-bank investment in Treasury Bills (which has actually fallen) the growth of credit and liquidity can proceed outside whatever has been chosen as the official measure. What the market noticed was that both the narrow definition of the money supply was rising at an annual rate of about 11 per cent, and that various unofficial broader definitions also suggested much faster growth than the official measure — near the top of the limit rather than the bottom. Equally domestic credit, allowing for lending diverted outside the banking system and for some rather debatable "funding," is probably some way ahead of its permissible growth. Official action was expected, and has followed. By their action last week, the authorities let the monetary cat out of the bag: they implicitly admitted that official measures understate the problem. What remains to be seen is whether the Government will draw the right fiscal conclusions.

Decision time for shipyards

BRITISH SHIPBUILDERS has had two main tasks in the 16 months since the industry was nationalised. One has been to reduce its current rate of loss which earlier this week it reported as having totalled £108m —after drawing some £46m from the Government fund for subsidising new shipbuilding orders—during the corporation's first nine months. The other has been to lay plans for raising the industry's performance and efficiency so that it may hold its own without Government support when the market recovers sometime in the 1980s. This latter task is the subject of the corporate plan which the corporation is now about to present to Ministers, and one of the key issues that has to be decided is the amount of capacity the industry should plan to retain.

Minimum flow

A case could be advanced on several grounds for keeping the industry at broadly its present size. First, the industry did not expand during the past 30 years when others, such as Japan and many developing countries, increased their capacities many fold. Second, the British merchant fleet, still the fourth largest in the world, provides a substantial home market base which is absent in many other shipbuilding countries. Third, there could be said to be a minimum viable size for a shipbuilding industry in terms of labour skills and experience, research and development potential, back-up supply industries and economies of scale. Finally, British labour costs are relatively low by European standards and this could help to put the industry in a better competitive position than its nearest international rivals.

Even however if a minimum flow of orders could be won in the face of the worst ever slump in demand for new ships and a considerable underlying problem of world over-capacity, the cost would be very great indeed and this would inevitably drain away funds for investment and modernisation. According to the leaders of the shipbuilding trade unions with whom British Shipbuilders has been discussing its proposals, the corporation has estimated that to maintain the industry at about its present size would probably require an intervention, or subsidy, fund for new orders almost four times as large as the present limit of £85m a year. On top of that, further sums would no doubt have to be provided to meet production losses.

There has been some talk of advancing parts of the naval shipbuilding programme and also of an international scrap and build programme for merchant ships. The main problem lies on the merchant shipbuilding side and the industry's ability to win whatever orders are going will depend not only upon price but also upon its customers' confidence in its performance and delivery. Although some yards have shown that they can compete with Japan on equal terms, the majority are a long way behind in international productivity comparisons. In short, there is no option other than to trim the industry's labour force and close down yards, not simply in order to reduce capacity, but in order to improve efficiency.

British Shipbuilders' own preferred option is believed to be a relatively moderate cutback, involving in all about 12,000 jobs or about 30 per cent of its merchant shipbuilding labour force, rather than a more drastic retrenchment. This would mean increasing the intervention fund to about £110m a year for the next three years. The initial hostile trade union reaction expressed at Newcastle yesterday was to be expected. A bigger test will come when the Government is faced with the corporation's detailed proposals for shipyard closures. Are these to be decided on grounds of political expendiency or industrial efficiency? Some feather-bedding is to be expected at a time of heavy unemployment, but Ministers should have learnt from their experience with British Steel that there is nothing to be gained, and much to be lost, by deferring industrial re-structuring. Almost £300m of public money has already gone into the industry in the past decade, much of it in the vain hope of buying time.

PETROCHEMICALS INVESTMENT IN THE UK

BY SUE CAMERON

Working party row spotlights limits to industrial strategy

SOME OF the inherent weaknesses in the Government's industrial strategy were highlighted on Tuesday by the failure of chemical companies and trade unions to agree on investment plans for UK petrochemicals. And more fireworks from the trade union side about that failure to agree are expected today at the TUC's industrial strategy conference in Newcastle on the chemical and plastics industry.

The disagreement between the two sides took a spectacular turn when union representatives on the tripartite petrochemicals sector working party—one of 39 groups set up under the aegis of the National Economic Development Office—accused the multinationals of trying to "sabotage" the industrial strategy completely. The unions want to see substantial investment in Britain's petrochemical industry and they are furious about the much more cautious line being taken by company managements.

The unions have some strong arguments for that, saying the chemical companies should invest heavily in the UK in order to prevent Britain falling even further behind its European competitors in the plastics materials market. But the case they are putting forward ignores whether it is economically sensible to take a nationalistic approach to investment in an industry that has a strongly international structure.

One of the reasons the two sides have now failed to agree on a common investment policy is that they cannot agree on the likely future growth rates of the demand for plastics materials. Investment decisions must hinge on market forecasts and the chemical majors have been understandably loath to reveal their own predictions to their competitors—UK industrial strategy or no UK industrial strategy. This is partly why NEDO commissioned McKinsey to make an independent report on investment strategy options based on some confidential information.

The McKinsey report should have provided a solution to the problems of market forecasting and commercial secrecy. But the sector working party decided to sit on it for over a year. When it was finally published officially on Tuesday there was plenty of room for all sides to say that McKinsey's projected growth rates for plastics materials demand—between 6.5 per cent and 7 per cent a year until 1990—were outdated and therefore open to question.

This paved the way for a broad disagreement about which of McKinsey's three strategy options should be followed by the pertochemicals industry. All three options were aimed at balancing trade in plastics materials between the UK and the other members of the EEC by 1990. The first option was to delay investment as long as possible: the second was to invest sufficiently to protect the home market: and the third was to invest heavily and so steal a march on the rest of Europe as soon as the upswing in demand occurred.

Union representatives on the sector working party are firmly in favour of the last and boldest option. Company representatives think this would be unnecessarily foolhardy given the present overcapacity in plastics materials in both Britain and the rest of Europe. They also say that McKinsey's market growth forecasts are now over-optimistic and they want to follow the second option — although investing rather more than would be strictly necessary to protect the home market.

"Specific decisions on investment must depend on the actual company situation at a given time with respect to individual products," says the Chemical Industries Association on behalf of the management representatives on the sector working party. "Investment by UK-based companies overseas will continue to be necessary in particular cases to complement UK expansion, and general statements on long term investment levels for aggregated groups of products in particular locations are not relevant to the realities of the situation.

No special advantage

"Nevertheless it is clear that companies in the petrochemicals and plastics sectors are currently investing within the UK at a rate which will enable them to grow faster than their Continental competitors. North Sea oil and gas provides a basis of secure supplies of feedstocks for this expansion and strengthen the UK economy generally. But they do not give UK petrochemicals and plastics producers any special economic advantage over their competitors and do not justify a pre-emptive strategy. Such a strategy would place the UK industry, and the jobs it provides and creates, at grave risk."

The trade unions point out with some heat that between 1963 and 1975 the UK's share of Common Market plastics materials production fell from 22 per cent to 13 per cent, that the trade deficit on plastics materials with other EEC countries reached £163m last year and is expected to rise to £220m by the end of this year and that while the sector working party has been dithering over the McKinsey report imports of plastics materials have risen from 30 per cent to 36 per cent of the UK market in value terms

"Imports of plastics totalled £520m in 1977 and around 75 per cent of these came from EEC countries," the trade unions say. "It is against this background of a serious and deteriorating balance of payments position with the EEC that the trade union members of the petrochemicals sector working party take the view it has fallen down on its task of setting import and export targets and spelling out how these might be achieved."

The unions are directing most of their anger against companies like BP Chemicals and Imperial Chemical Industries which have invested on the Continent.

Yet it is extremely doubtful whether any UK-based chemicals major would find it feasible to put all its investment eggs in the British basket—no matter how patriotic it were. Experience suggests that in order to gain a real hold on Continental markets it is necessary to have at least some production on the spot. This is partly because of the transport costs involved in sending products from the UK to West German, French or Italian markets and partly because of the attitude of Continental customers.

ICI points out that it would not be in the UK's national interests for chemical companies to build plants in Britain and then find they were unable to sell the materials produced there.

ICI adds there is "no way" that future European demand for a material like ethylene could be met from British production. It says ethylene—one of the so-called building blocks of the chemicals industry—would simply be too expensive to ship abroad and companies which tried to do so on a large scale would be priced out of the Continental market. Ethylene and propylene are both used in the making of plastics materials and both are simultaneously produced from the same plant—a cracker.

It is estimated that 78 per cent of the ethylene produced in Western Europe is used in the making of plastics and resins. But only 51 per cent of the propylene produced is used to make plastics and resins. This means that a company which builds a cracker has to find a market for the rest of its propylene—used to make solvents and detergents as well as plastics—and this could necessitate investment in a Continental cracker if the only outlets are on the other side of the Channel.

BP Chemicals says one of the main reasons it has been making acquisitions on the Continent over the last year has been the need to safeguard outlets for materials produced in Britain. It adds that it has purchased plants to which it was already supplying UK produced feedstocks. There would therefore have been no point in building anew in the UK and duplicating plants that already existed on the Continent.

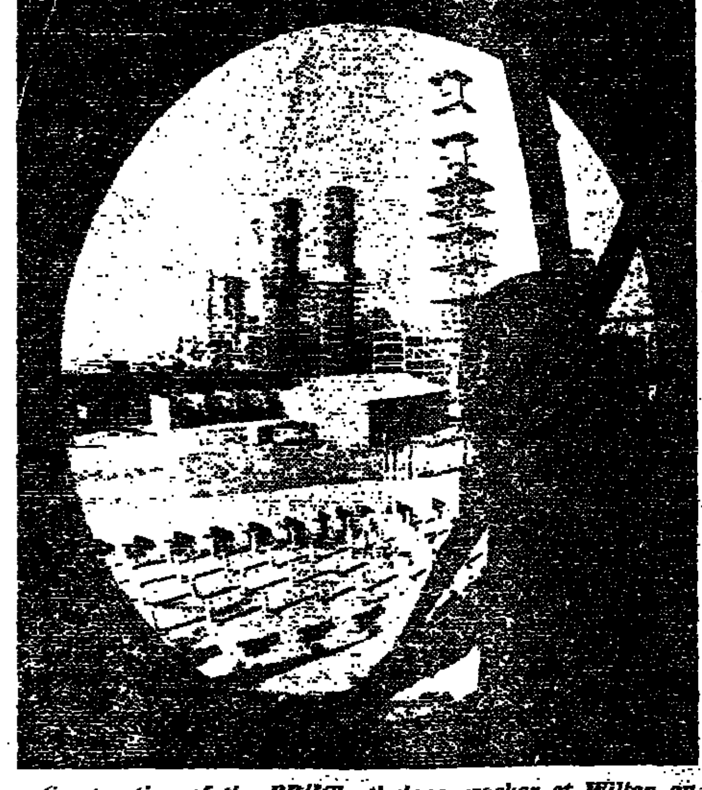
UK TRADE BALANCES IN PLASTICS MATERIALS

£m (current prices)

	1972	1973	1974	1975	1976	1977	(Estimated 1978*)
Deficit with EEC	−32	−56	−138	−66	−136	−163	−220
Surplus with rest of world	+59	+64	+132	+120	+160	+193	+170
Overall balance	+27	+8	−6	+54	+24	+30	−50

* In 1978, the year is estimated from comparable headings (582 and 583) for the first three quarters.

Source: Overseas Trade Statistics of the UK



Construction of the BP/ICI ethylene cracker at Wilton on Teesside. The project is two years behind scheduled completion.

The way in which Continental plants under UK ownership can stimulate British production and exports by acting as outlets is called the "pull-through effect." All the multinational chemical concerns set great store by this when arguing about investment policies with the unions.

They claim that their Continental operations are not only necessary because of the structure of the industry but are also beneficial to the UK. The unions have not directly contradicted this but they have understandably demanded some hard facts and figures about the degree of advantage the "pull-through effect" confers on Britain.

The companies also stress that while they are not prepared to adopt the third of McKinsey's options—heavy investment in the UK—they are still doing a good deal to back Britain in the chemicals sector. ICI alone expects its net exports this year to be worth about £700m and Mr. Martin Trowbridge, director general of the Chemical Industries Association, says that by the end of this year the rate of investment in UK petrochemicals will have risen to a "record 22 per cent of the total investment expenditure on chemical plant in the EEC." He adds that investment is likely to continue at this high rate next year and adds that "predictions of demand in the 1980s are more than matched by ambitious plans already announced—plans which some European companies already regard as audacious to the point of improvidence."

The companies' case for refusing to invest solely in the UK when their products are internationally based is an extremely powerful one. But they could perhaps be criticised for raising investment hopes among the chemicals trade unions which they had neither the ability nor the intention to fulfil. They also seem to have been largely responsible for mulling over the McKinsey report so long that it has now become virtually obsolescent—a manoeuvre that has achieved nothing but ill-will.

The whole exercise of trying to work out an investment strategy for the plastics materials industry in Britain seems to be proving increasingly fruitless. Yet the waste of time, effort and money might have been avoided if the sector working party had looked at the contradiction between a UK industrial strategy and the international nature of the chemical industry at the outset—long before it decided to commission McKinsey.

The companies are at last beginning to recognise the risks of allowing people to pin their hopes on the achievements of the NEDO sector working parties. Mr. Gerard Fairtlough, who has just given up the managing directorship of Shell Chemicals UK, said last month: "I feel there is a real danger in expecting too much from NEDO in the form of definite action, since an exaggerated expectation could lead to the good communications which we now have being replaced by the presentation of prepared, politically orientated statements.

"Recognition of NEDO's limitations increases rather than diminishes its value. It is only by common understanding between all the parties connected with our industry that we can hope to solve our problems."

As a prediction, Mr. Fairtlough's words have proved to be spot on.

The question now is whether the petrochemicals sector working party will be able to forget its irreconcilable differences about investment strategy and start looking at areas where it might be able to make some progress. It could, for example, consider ways of putting pressure on the UK construction industry whose record for late completion dates is deterring foreign companies from investing in chemical plants in Britain. Monsanto's acrylonitrile plant at Seal Sands on Teesside and the ICI/BP ethylene cracker at Wilton on Teesside are both two years behind scheduled completion. There is no doubt the chemical companies would welcome support from trade unions in tackling this problem.

Whether the petrochemicals sector working party will work out a useful role for itself within the industrial strategy framework remains to be seen.

But its performance to date suggests that the high hopes which Cabinet Ministers placed in the strategy as a way of regenerating British industry have been misplaced.

The petrochemicals industry, with its comparatively high growth rates and good record on industrial relations, appeared to be an ideal candidate for tripartite planning. Perhaps one reason for its failure to live up to expectations is that investment was too ambitious an issue to tackle. Companies and unions might have done better if they had started by confining themselves to pinpointing and solving some of the smaller and more manageable problems facing the industry today.

MEN AND MATTERS

Exodus from EMS corral

The European Parliament's inept handling of the debate on the European monetary system has raised a multilingual chorus of Euro-dismay.

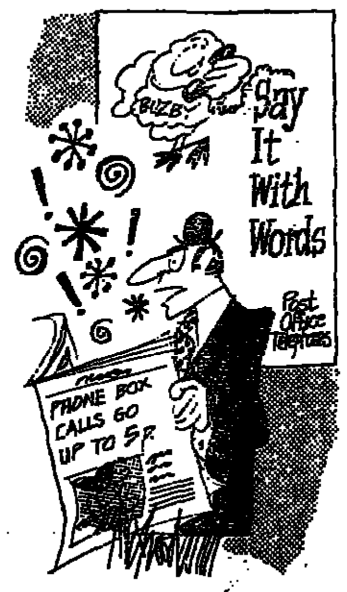
After a week of debate on less-than-enthralling subjects, discussion finally began at 4 pm yesterday on one of the most important EEC issues for at least five years. By then, Roy Jenkins, President of the Commission, having pleaded in vain for the agenda to be changed, had left Strasbourg for Brussels to welcome the President of Kenya to Europe.

He was not the only one absent. When he sat down, the Labour Peer, Lord Ardwick, who opened the debate, was practically the only British MP left in the chamber. The rest, without a charter flight home today, caught evening flights home for the weekend. And even before the debate began Gaullist and Irish Fianna Fail MPs had packed their bags to get away to a joint political jamboree in Cork.

Despite warnings throughout the week of such an exodus, the Parliament's procedural pedants could not be budged. The reason, it was said vaguely, was that the debate could not be held without the German finance minister or his deputy.

So, yesterday morning, impatient MPs grinned and bore it through debates on tinned pineapples, the de-germing of maize, and trade in oils and fat with Greece.

By late morning even these complex subjects were exhausted and it seemed there might after all be an early start to the EMS debate. This was to under-estimate the Dutch Vice-President, Cornelis Berkhouwer, who promptly adjourned the session for a 220 minute lunch hour. More MPs left.



It is doubtful whether even the necessary quorum of ten MPs will be present this morning, when the votes are supposed to be taken.

The faithful few will at least be able to get on with the urgent tasks of estimating EEC tobacco consumption (smoking, chewing and sniffing). After that there is a proposal to align the Community's laws on tractor-towing books.

Worms in the mind

Some say it started in Chattanooga, Tennessee. Others claim to have heard it in Atlanta. Wherever it started, the rumour that McDonald's Hamburgers contained red earthworms to boost their protein content has not helped sales in the South East U.S. McDonald's became so alarmed by the mass cancellations of children's parties in the Atlanta area, and by the constant inquiry "How many worms do you put in each burger?" that it called a Press conference in Atlanta this week to try to kill the rumour.

The company proudly produced a letter from the Agriculture Secretary testifying to the regular checks on the company's meat.

McDonald's is getting used to such debacles with the public consciousness. A few months ago it was whispered, more colourfully, that some of the company's profits were devoted to a San Francisco Satan-worshipping cult.

A minor consolation is that such rumours hit competitors too and these have also this week been protesting the purity of their products.

Emptying bowl

All summer we read how Thames Television was recruiting the Brightest and Best of BBC TV's producers. Autumn came and it was the turn of the video engineers. Now when I told a TV reporter that I had had trouble reaching him he complained: "Independent television is taking our telephonists today. It will have the canteen staff tomorrow." Thames were quick to reject such heinous accusations. "The BBC has its begging bowl out. It always complains when licence fees are being considered."

Thames was quick to assure me that none of its telephonists come from the BBC and one BBC telephonist blandly told me: "Our grade is good. We are satisfied." But elsewhere the lure of the higher salaries paid by independent television is apparent. It has lost 60 fully trained people from its engineering side and is short of 35 video camera crew. I was told. Further it is only meeting half its recruitment targets. While the canteen situation seems safe, would-be stars be warned. The make-up department has lost 23 people since January 1977—nearly half of them to independent television.

Music makers

Admirers of Schubert will be able to indulge in something of a musical banquet this weekend, the 150th anniversary of his death. At St. John's, Smith Square, the Argentinian pianist Alberto Portugheis — who bears a strange resemblance to the composer—is giving a recital of three sonatas at 7.30 pm, the exact hour of Schubert's death.

There is also a commemorative mass in Westminster Abbey on Sunday. And for those interested in Schubert's more obscure work, the Austrian Institute has arranged a concert at All Hallows tomorrow, when the Vienna Court Organist, Martin Haselbock, will give a first London recital of three recently-discovered Schubert organ fugues of 1812.

He tells me they were found in the library of the Vienna Male Choir Society two years ago, among papers of minor composers. But only this year was the handwriting recognised as Schubert's—one fugue was even scribbled over three cover pages of music by another composer. There is only one other organ fugue known to have been written by Schubert.

How good are they? "Ah, that's always the question," says Haselbock. "They are not his very best work. One is classical in style, but the others are . . . a little bit wild."

Only asking

The Banque Nationale de Paris in London tells me it has a charming letter on its files, "Dear Sirs," it reads. "Thank you very much for inviting me to lunch. Does this mean my credit is good or that I owe so much money you are beginning to worry about it?"

FINANCIAL TIMES SURVEY

Friday November 17 1978

Frankfurt

Frankfurt has become the financial capital of West Germany and, as such, one of the major business centres of Europe. But the rapid pace of development in Frankfurt—now one of the richest cities of the Federal Republic—has produced what many regard as 'a city without a soul'

Business centre of West Germany

By Guy Hawtin

Frankfurt Correspondent

FRANKFURT CAN fairly be described as the financial capital of West Germany, but it is capital of nothing else. The fact that it failed to become capital of the Federal Republic can be blamed on Dr. Konrad Adenauer, the first prime minister of the Federal Republic, although as a former independent city state, it had no claim to be the capital of the State of Hessen in which it is located.

But if Frankfurt has been short-changed in this respect, fortune has smiled on it in others. For a start, it is one of West Germany's richest cities and is likely to remain so as Germans and foreigners flock to it for business.

Frankfurt has been described by many of its detractors as "a city without a soul," but this hardly does the place justice. Certainly, it is brash, new and aggressive. Yet, it has a character which has survived despite a massive influx of "outsiders" both from within and without the borders of the Federal Republic.

When the allied bombers descended on Frankfurt during World War II, Europe lost one of its architectural jewels. The closely built, timber frame houses in the city centre burnt like tinder and it is a tragedy that there has been so little reconstruction in the manner of Nuremberg and Munich.

Today's Frankfurt is dominated by concrete and glass monuments to Mammon, stretching towards the haze which hangs over the city for much of the year.

"Oh my god," an American visitor to the city once remarked, "it looks just like Indianapolis."

Frankfurt is not entirely to blame for its failure to reconstruct in a manner more in keeping with its ancient traditions. After the war, materials were scarce and it seemed that the city was to become the capital of the new Federal Republic. However, that said, the Social Democrats, who until recently dominated the City Government, could have shown a little more concern and imagination after the immediate emergency was over.

Instead, a wave of speculative property development in the 1960s and early 1970s destroyed much of that which remained at the heart of the city. The Roemer, the huge cobbled main square has been left bare but for the reconstruction of several buildings, including the fine old city hall, the cathedral and fine little Gothic church.

Restoration

Even the old Opera house was left a bare shell, despite many attempts to force the city council to restore the building, which was financed by Rothschild money and modelled on the Paris Opera. The best the council could come up with was the solution that it should be demolished—a suggestion that was vociferously rejected—but it was not until last year that restoration work started.

The council has been accused of permitting the wave of property development to drive people out of Frankfurt. Indeed, the population has fallen in the past five years. In 1972 it boasted a population of 678,000, but by the first quarter of this year, it had fallen to 636,526.

Certainly, homes were to some extent replaced by office blocks, but this it not necessarily the basic reason for the population decline. The city is well served by an excellent rail service and has constructed a "Schnellbahn" local rail system which rapidly transports commuters from the city where they work to the small villages that have grown into dormitory towns.

The Germans are, one can say, addicted to the countryside and the coming of the motor car, increased prosperity and a much-improved rail system has obviously been an incentive to many former city dwellers to move to the equivalent of "mon repos" in the hinterland.

Frankfurt's climate is also an incentive to get out of the city. For people who were not born and bred in the place—and that is the majority of the population—it is very hard to bear. The area is located in a "kessel" or "cauldron" surrounded by high land and the city is subject to regular thermal inversions which give many people splitting headaches and make the majority of sufferers extremely irritable.

While many people who have never suffered from the effects may find it far fetched, doctors here claim that there is an increase in road accidents during these thermal inversions, that the recovery rates from operations decline and that there is an increase in heart attacks.

It is nothing unusual for surgeons to call for weather reports before scheduling operations and the weather bureau provides them as a regular service.

Frankfurt is not exceptional in this particular weather condition. Bonn is arguably worse and most towns in a river valley, particularly along the Rhine and main rivers, suffer from it to some degree or another. In Munich, capital of Bavaria, there is an even more unpleasant condition—the *fochn*—which makes life even more unbearable.

However, even dedicated Frankfurters, people who would live nowhere else, attempt to move out of the place, often every weekend. Usually they head for the heavily afforested Taunus Mountains to enjoy walking in the crisp fresh air which is so often lacking in the city. In doing so, their convoys of cars make life in the fashionable dormitory towns extremely difficult.

But despite its climate, there are many rewards to be gained from living in the city itself. With such a relatively small population for such an important financial and industrial centre, Frankfurt is on a human scale. It is by no means as impersonal as New York or Houston, for instance.

While no police chief will ever admit that the crime rate is anything but a cause for deep concern, the streets are safe and the only hazard to children is fast moving traffic.

Traffic in Frankfurt moves very quickly for a major city—a tribute to the infuriatingly thorough one-way street systems which seems to change with a rapidity that confuses townsman and tourist alike. There *is* a rush hour, but it is child's play in comparison with New York, London, Paris, or even Munich. Experience indicates that it only adds ten minutes at most to travelling time.

Cultural life, while not perhaps as famed as Hamburg and Munich, is rich and varied. The city boasts an opera, many theatres, traditional and experimental, and there are concerts in plenty. The city also has many cinemas which regular to foreigners stage late-night shows with films in their original language. There are also many excellent museums.

Exciting

Frankfurt is a cosmopolitan city, with a large foreign population. Naturally there are guest workers who have come to Germany from such places as Yugoslavia, Turkey, Italy and Spain. But there is also a very large foreign business community—with the Americans heading the list. In many Frankfurt gatherings it is hard to hear a word of German spoken—a result, perhaps, of the Anglo-Saxons' reluctance to learn German and an indication of the hospitality of their Frankfurt hosts.

Business is Frankfurt's *raison d'etre* and, particularly for the financial community, there is probably no more exciting city in Europe in which to work. It is, indeed, possible to argue that if Frankfurt had not been rebuilt the way it was, business could not have come to Frankfurt. Even so the constant construction work—particularly on the new Underground system which is likely to be in building beyond the year 2,000—is frequently an infernal nuisance to motorists and pedestrians alike.

While there is not much of the old Frankfurt left, the excellent City Museum and continuing traditions provide ample evidence of its history. Occupied by Roman legions—who gave their name to the Roemer Square at the centre of the old town—they were followed by the Carolingian and Hohenstaufen Dynasties. Written records refer to the city as capital of the East Franconian Empire as far back as 876, and German emperors were crowned in the city, starting with Frederick Barbarossa, in 1152.

The city—which lost its self-governing status achieved in the 14th century, following annexation by Prussia in 1866—has for long had a liberal tradition. A liberal climate was vital for commerce and it brought with it freedom of thought and a flowering of the arts.

The poet Goethe is probably the city's favourite son and the city is justly proud of the fact that it provided the home for the short-lived all-German Parliament which assembled in the Year of Revolutions, 1848, to proclaim a democratic constitution.

Nor can one overlook the Goethe University, many of whose students and staff no doubt see themselves as continuing the area's radical traditions. Although life has quietened down considerably since the late 1960s and early 1970s when student unrest was at its height, radical politics remain the order of the day. Demonstrations frequently halt traffic—to the ire of the motorists and the relish of the students.

All in all, Frankfurt may not be beautiful—but it *is* a comfortable place in which to live and work. In which other international financial centre is it possible to leave one's desk and within 20 minutes be among some of the most beautiful countryside in Europe?

No city is without its shortcomings and Frankfurt certainly has them. However, it is a place which has always welcomed the stranger—from the foreign businessman to the refugees who flooded in at the end of World War II—and no such city can be utterly without a heart.

The Social Democrats dominate politics

TRADITIONALLY, Frankfurt and the State of Hesse lie firmly in the social democratic camp. Indeed, it was politics that earned the state its nickname: "Red Hesse."

The Social Democratic Party (SPD) has dominated Hesse's Government since the re-establishment of the democratic system at the end of the war—latterly in coalition with the small liberal Free Democratic Party (FDP). The same was true of the city of Frankfurt until 1977 when the Social Democratic Lord Mayor was forced out of office and replaced by a Christian Democratic Union (CDU) successor.

In real terms a division of city and State politics would be an exercise in semantics. The difficulties which have beset the SPD at city and State levels stem from the same underlying source: namely that it would tak ea party of very much more than saintl ysweetness to keep the majority of the electorate happy for 30 years or more.

Since 1970 the conservative CDU has steadily been gaining ground in local and state elections. Its share of the vote rose from 39.7 per cent in the 1970 local elections when most of the State's major cities fell into its grasp.

The Hesse State parliamentary elections last month seemed certain to many observers to end with the CDU and its ebullient chairman Dr. Alfred Dregger firmly in command of the State legislature which is housed in the former palace of the Dukes of Nassau in Wiesbaden. As it is, the elecorate resisted the CDU's blandishments and the SPD-FDP coalition survived with an increased majority.

For the Social Democrats, who saw their share of the vote advance by 2 per cent to 44.3 per cent compared with their performance in the 1977 local elections, the coalition's victory was a vindication of their policies. For its small coalition partner, whose share went up from 5.4 per cent to 6.6 per cent, the outcome was even more crucial—it guaranteed the survival of a party threatened by its failure to gain the 5 per cent of the vote needed for parliamentary representation in the Hamburg senate and lower Saxony state elections earlier this year.

However, the fact remains that the CDU is still the largest party in the Parliament of this traditionally Social Democratic State. The outcome of the State elections should really be seen as a breathing space during which the SPD must repair its image in the eyes of the voter at both a local and State level.

The State elections, it seems fair to say, were really won by nobody. They were lost by the CDU. The coalition was undoubtedly helped by the fact that the future of the Federal Government hung on the outcome in that victory in Hesse would have given the CDU a majority in the Bundesrat, the Federal upper house, sufficient to block all government legislation—thus forcing the Social Democratic Chancellor, Herr Helmut Schmidt, to the polls.

Chancellor Schmidt is immensely popular in both Frankfurt and the State of Hesse and few other than convinced CDU voters would be ready to ditch what is seen to be a generally successful federal administration for the pleasure of teaching the Hesse Social Democrats a lesson.

Furthermore, there was the stance of Dr. Alfred Dregger, an immensely personable 57-year-old, under whose leadership the CDU has made its rapid advance among the electorate. Dr. Dregger stands to the right of his party and the basic fight in the election was for the middle ground—a floating vote consisting mainly of young people and disillusioned Social Democrats.

Dr. Dregger, whose slogan was "a change works wonders," worked hard to attract the middle ground, but his basic positions on many issues were probably a touch too much to the right for many of the people whose votes he was seeking. Even so, had the future of the Federal Government not hung on the election, he might well have pulled it off.

Talents

All three parties mobilised their top talent—generating a certain ennui among the electorate with the local stars, Dr. Dregger and his SPD opposite number Herr Holger Boerner excepted. Despite Dr. Dregger's many assurances late in the campaign that it was not the CDU's intention to bring down the Government, it was clear that the SPD-FDP line prevailed among the electorate.

Herr Boerner, a former building craftsman, is a cheerful "man-of-the-people" whose unflagging good nature has won him considerable popularity among the Hesse electorate. However, bonhomie alone will be insufficient to rehabilitate the party in the eyes of all of its former supporters.

The Social Democrats face many problems—some of their own making and some that stem from the natural results of the post-war drive for economic recovery. Herr Boerner's appearance in Hesse is indicative of the former. He was rushed to head the State Government from Bonn following the resignation of former state Prime Minister, Herr Albert Osswald, after his name was linked with mismanagement of public funds.

Scandals among some of its respected old guard have rocked the party and shattered the faith of many voters. Against this, it has to be said that no party can be in power for 30 years without having some skeletons in the cupboard. But even so Dr. Dregger's charges of jobbery and mismanagement obviously struck some sympathetic cords among the electorate.

There is also considerable electoral dissatisfaction with the SPD's stewardship in a number of areas, education being among the most important. An attempt to introduce comprehensive education brought accusations that educational standards were being lowered and that bright pupils were being sacrificed on the altar of sociological theory.

Even those in favour of the comprehensive schools — and they are few—complain of the fact that there are insufficient teachers for the number of pupils in many schools. A large number of pupils in Frankfurt and Hesse in general have regularly missed a day's schooling because no teacher has been available. The argument that Germany is suffering from the effects of the "pre-pill bulge" and that things will sort themselves out in a few years has not proved acceptable.

On the other hand, the SPD can scarcely be accused of acting like wild-eyed radicals during their 30 years in power and much of the dissatisfaction probably results from the electorate's changing priorities as the economic climate, itself, has altered from a drive for growth to an awareness of the difficulties that growth brings in its train.

In Frankfurt, current dissatisfaction with the way in which property development has been allowed to run untrammelled over heritage, tends to overlook the fact that without the development there would have been no prosperity. Commerce has always been the city's lifeblood and the needs of commerce — office accommodation and infrastructure—cannot be ignored.

Memories are short and people tend to forget the excitement generated in the 1950s and 1960s at the image of the bright new Frankfurt emerging from the wartime ashes. In those days few of the electorate had much sympathy with those eager to put preservation of the past before economic growth. Yet today Christian Democratic plans to restore the historic Roemer Square enjoy universal approbation, as does the much delayed reconstruction of the old opera.

The Social Democrats are learning the hard way the truth in Lincoln's political homily that one cannot please all of the people all of the time. No doubt the time will come when the Christian Democrats learn it too. The question is: When?

Guy Hawtin

Frenetic activity at a Frankfurt broker's office as the dollar slid to one of its new lows on European money markets, earlier this year.

Major influx of foreign banks

IT IS a fact that of the 300 plus banks in Frankfurt, around 160 are foreign bank branches or representative offices.

At an educated guess, at least 400 American companies have their finger in the Frankfurt pie. And if one stretches the definition of the Rhine-Main industrial area, then you will find more than 40 industrial subsidiaries of English parentage.

But, as one Frankfurt trade official ruefully commented: "The useful statistics really stop with the banks, and they certainly don't have to tell us everything.

"If you regard effective control of a company, or even a significant presence in Frankfurt, as a shareholding of between 25 and 49 per cent, these companies are under no obligation to tell us about overseas ownership."

Yet there certainly is overseas ownership, interest and involvement. First, there are the foreign banks. The great influx, came in the late 1960s and early 1970s.

Bundesbank statistics for the Federal Republic in general show that 15 foreign banks had established 21 branch operations by 1957. The figures had risen to 49 and 88 respectively by 1976, and 51 and 92 at the end of last year.

This looks miniscule in the context of the numbers for the FDR—5,997 and 43,761 respectively, excluding postal giro and postal savings bank offices—but it is possible to make progress from a small base. The Bundesbank's analysis of the marketing position of the banking groups since 1971 noted a rise from 1.5 to 2 per cent in the foreign banks' share of business volume.

It does not necessarily follow that a small base should be seen to signify either quantity or quality of opportunity. West Germany's universal banking system means that domestic banks are both lenders to (and major investors in) the domestic corporate sector.

These close ties mean stiff competition for domestic corporate business: and the best "pickings" outside that sector would seem likely to go to foreign banks from countries with a high investment stake in West German industry and commerce—the Americans, with their multinational client lists, and to a respectable extent, the British.

One expatriate merchant banker in an interesting domestic position, talking in general terms, recalled one British company which came on a corporate shopping expedition and identified 40 West German companies which it could consider taking over. The main criteria were geography, size of turnover and product. The size of the market place may be influenced by the fact that so few of West Germany's 2,000-plus public companies have a stock exchange quotation.

This does not mean that West German industry is ripe for the picking. Late in October, the Frankfurt-based Commerzbank confirmed that it was buying the UK's Guest Keen and Nettlefold's stake in the Sachs engineering group.

GKN's decision to sell its shares followed the Federal Supreme Court's decision to the previous February to refuse it permission to acquire a majority interest in the group—the holding company for the Fichtel and Sachs concern which dominates the West German automotive clutch market.

The West German authorities had argued that competition in the German automotive parts market, diminished by the dominant position that the Sachs family concern had built up, *would be further diminished* by a merger with GKN.

Conversely, last June, shareholders in the ailing AEG-Telefunken narrowly rejected a controversial company proposal that voting rights be limited to 10 per cent. Here there had been speculation over possible Arab interest in the shares and although the Board saw this as a potential stumbling block to future plans, shareholders believed otherwise. One of the latter asked: "Can we get out of this mess on our own, or do we need a big brother?" Another remarked that he had nothing against a "big brother" buying up the shares—which have been a noticeably poor performer in the 1970s.

The international "pickings" in Frankfurt are by no means limited to banking or takeover manoeuvres, of course. Industrialists apart, a swift scan through the city's international community will reveal insurance and commodity brokers, trade officials, property men, hoteliers, accountants, lawyers and operators in transport, travel, language, translation, communications and management consultants. As one observer commented: "Finance breeds its own momentum."

But the paradox about Frankfurt is that, as one transient said, "with conference rooms

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An excellent centre for communications

FRANKFURT'S whole reason for existence is that it is an excellent communications centre. The Romans, Carolingians and Hohenstaufens in the past all made their contributions to the development of the city for just that reason.

Situated on the Main not far from its confluence with the Rhine, the city found Europe's commerce flowing naturally past its gates. Until the coming of the railways it had few competitors as a staging post for intra-European trade. Even after the "iron horse" arrived, its position on the rail network ensured its continued prosperity.

Although the city's status as a self-governing city State, achieved by the middle of the 14th-century, was lost following its annexation by Prussia in 1866, Frankfurt was not totally eclipsed by Berlin. Certainly the Prussian capital became the focal point for much banking and commercial activity, but the custom of centuries is not easily changed.

From the middle ages onwards Europe's merchants have met in Frankfurt "to wheel and deal." In 1510 the humanist Ulrich von Hutten summed things up rather more elegantly when he wrote: "The people seek it from far and near and flock to the city, for this is the swarming market place for the wares of the world."

Von Hutten's inspiration must have come from the many trade fairs held in the city where traders met by agreement to exchange goods and establish commercial contacts. Some 800 years ago the market held at the Feast of the Assumption began to develop into a trade fair—and indeed the Messe-und Ausstellungs-Gesellschaft which operates the city's huge fairground continues that tradition.

In 1240 the Emperor Frederick II granted the royal privilege under which merchants travelling to the fair at the Feast of the Assumption were guaranteed the protection of the Holy Roman Empire. Then in 1330 the Emperor Ludwig the Bavarian granted the privilege to the spring fair.

At the turn of the century Frankfurt pioneered the great technical exhibitions which firmly established the modern concept of the trade fair. One such was the electrotechnical exhibition of 1891, while another pioneering venture was the international aviation exhibition of 1909 which attracted 1.5m visitors, an enormous number for those days.

Trade

Today Frankfurt is true to its traditions in that it caters for the "trade" rather than holding the vast general fairs of the type that Hanover does so well. But although its fairs, in comparison with the huge Hanover Messe, are relatively small, they are essentially for the businessman. Certainly the public visits many of them in droves, but they are the gilt on top of the gingerbread, the spice to the solid fare of commerce.

Even the Frankfurt International Fair held in the spring and autumn is a trade occasion. The name may give the impression of a Hanover-type operation; in reality it is 23 specialist fairs—12 in the spring and 11 in autumn—created for the consumer goods industry. In addition there are 13 other large specialised fairs covering such fields as clothing and textiles, the fur trade, sanitation, heating, and air conditioning, motor maintenance and accessories, office equipment, and the meat trade. Under this heading, too, comes the massive Book Fair, the largest in the world, and Europe's most important Motor Show.

Frankfurt is also the base for two of West Germany's best newspapers — the Frankfurter Allgemeine and the Frankfurter Rundschau. While in reality West Germany has only two national newspapers—Die Welt and Bild Zeitung—the Frankfurter Allgemeine enjoys high regard throughout the country. Conservative in politics and typography, it is the country's most authoritative commentator on both national and international affairs.

The Rundschau is much more of a local newspaper, but even so it has built up a substantial country-wide reputation for the quality of its reportage. Its interest in international affairs, coupled with its radical political line, has earned it a standing similar to that of the Guardian in its Manchester days.

The city's excellent road, rail and air communications have drawn the Financial Times to Frankfurt. The newspaper is establishing a production centre in Frankfurt which will primarily serve its markets outside the UK. Taking advantage of the latest technology, the newspaper will appear at the businessman's breakfast table not only throughout the Federal Republic but Europe-wide. The city's excellent air connections also mean that the Financial Times will be on sale in Wall Street at 9.30 a.m. on the day of publication.

With 10 European capitals within a 600-mile radius, the airport—the third largest in Europe—is obviously of vital importance to the city's communications. Indeed it was one of the reasons which led the Financial Times to select Frankfurt as its production base.

Passengers

In the first nine months of this year it handled some 12.1m passengers—3.9 per cent more than in the comparable period of 1977. During the same period take-offs and landing increased by 2 per cent to 164,890, while air freight throughput went up by 2.7 per cent to 441,784 tonnes.

In terms of air freight Frankfurt airport is Europe's largest, while world-wide it enjoy's fourth place after John F. Kennedy in New York, O'Hare in Chicago and Los Angeles airport. Last year 590,000 tonnes of freight were shipped out—some 70 per cent of the Federal Republic's total air freight volume.

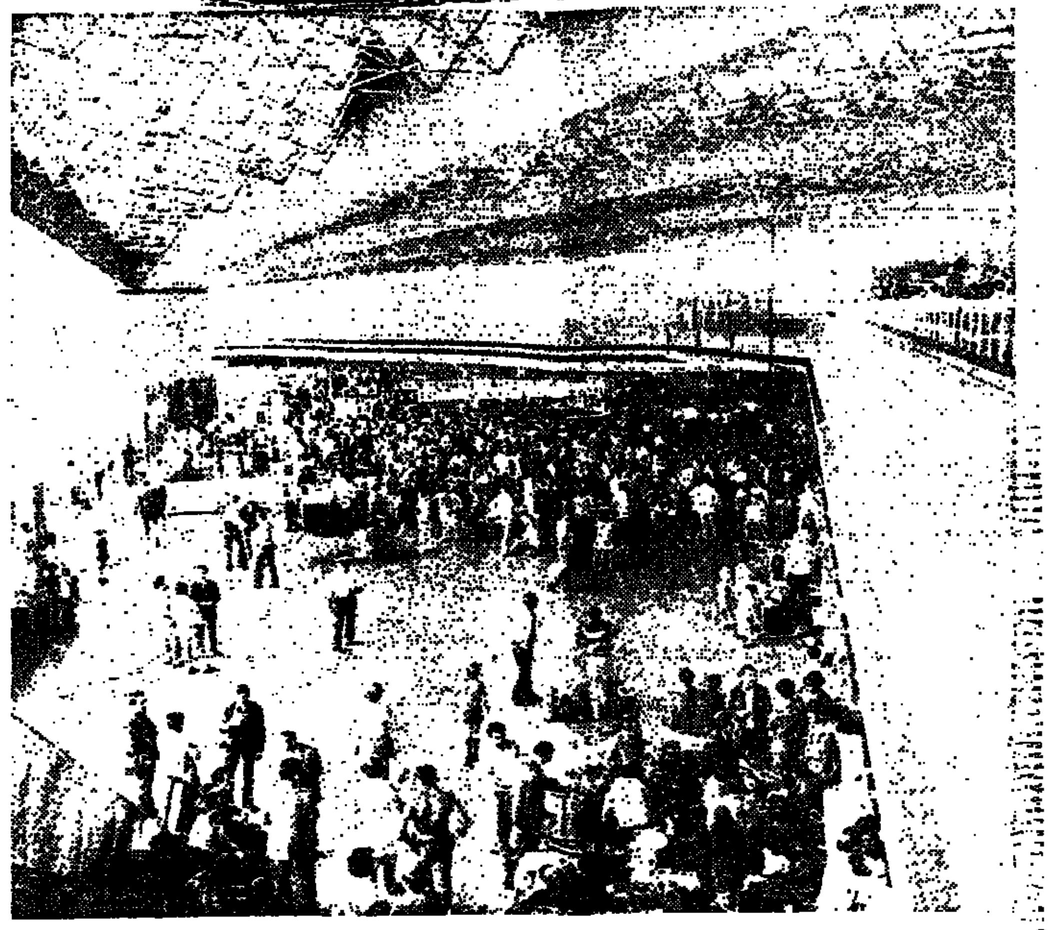
On a daily basis an average of 1,600 tonnes of goods were handled last year and for 1976 the Frankfurt Chamber of commerce and Industry estimated that the daily value of the freight shipped through the airport was DM82m. In 1977 the transport of freight and post equalled 44.6 per cent of the airport's passenger business.

The airport expects air freight to be the major growth area of the future. With this in view it is building a new freight terminal estimated to cost DM420m. When the terminal is completed in 1981 it will have an annual capacity of 1.5m tonnes and all the airport's freight business will be concentrated under one roof.

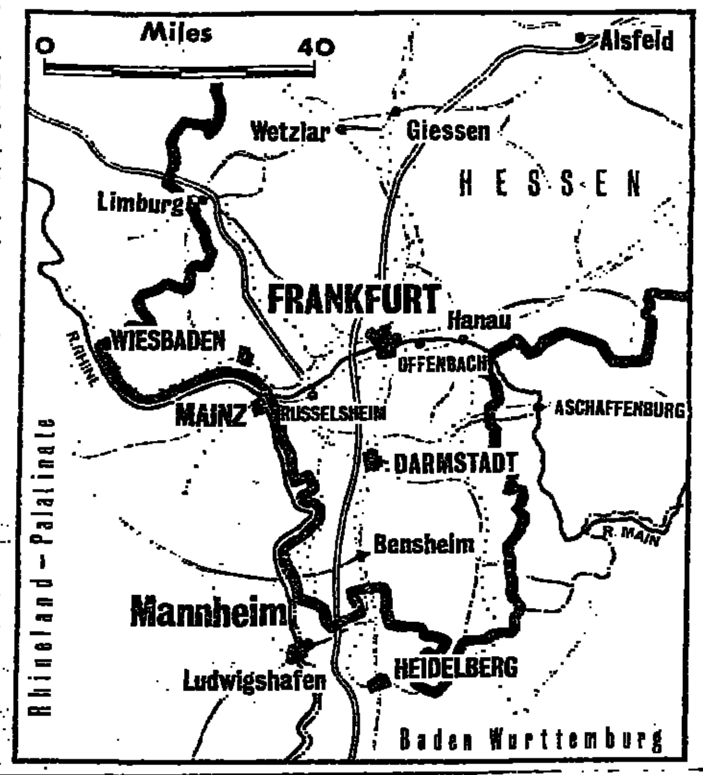
As far as surface traffic is concerned, Frankfurt stands at the centre of West Germany's excellent autobahn network and at the geographical heart of the Continent. This makes it not only an excellent transshipment point—as the airport emphasises to its international freight customers—but also an ideal manufacturing centre.

The river, which originally provided the city with its lifeblood, is also a major asset. Inland water transport is cheap and efficient. It is widely used for the shipment of bulk goods, such as the products of the Hoechst chemicals plants sited within greater Frankfurt.

G.H.



Passengers throng Frankfurt airport—the third largest in Europe.



Foreign banks

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round the airport. Frankfurt's the only place where you can get in, do your business and get out, all in the space of four hours." And another comments that "you tend to look at Frankfurt as you would at a new town — once over the initial reaction, you're reluctant to leave."

The attraction for the expatriate is that he is on seemingly common ground. Everyone in Frankfurt, perhaps subjectively, appears either to be an "Auslander" or a native German seconded to Frankfurt on temporary assignment. This means that the newcomer is under pressure to move out and meet people. Since there are a lot of newcomers, the quality of social life appears higher than in their normal domestic pattern.

One old hand, however, notes the structure of the expatriate community has changed. To begin with, post-war, Vickers (taking over Zimmer), Dunlop and ICI had a big proportion of top-echelon operational staff—"They've all disappeared," he said. And they had done, he reckons, by the end of the 1960s.

More particularly, he still sees marketing as an international challenge: "Industry is spread over Germany like sugar on top of a cake. The expense of selling may be very high, but it's a big challenge, a big market, and very sophisticated."

And it so happens that more and more foreign corporations are marketing their stocks and bonds in Frankfurt for other than the conventional reasons—that is, to give a quotation to established shareholders and establish the corporate name on the German capital market.

Beaten

The volume of foreign shares traded, below 10 per cent of total stock market dealing for a long time, reached 12 per cent in 1977 and 20 per cent of total trades in the first six months of this year. With IBM topping the overseas charts at DM 160m, more than six shares have beaten the DM 100m figure in the first 10 months of 1978.

But the neatest deal must be for Japanese companies borrowing in D-marks. They receive a rate of 3 per cent—or just over—in a currency that is weaker than their own, hence low-coupon and low-prospective capital repayment.

The German-based banks win the business: and the foreign investor invests less for the coupon than for DM currency which, to him, is a rather hard option. There are few places but Frankfurt which could offer this—just one paradox among an attractive number.

William Cochrane

A major international banking centre

IF FRANKFURT missed by a hair's breadth becoming the Federal Republic's capital, no city has managed to replace it as the country's main financial centre. Despite challenges from Dusseldorf, Hamburg and Munich, the city remains the undisputed financial capital of West Germany.

A leading banker from Munich, the Bavarian capital, which is notoriously touchy about claims that it plays second fiddle to any other German city, admitted recently: "It would be impossible to operate as a major bank in the Federal Republic without a substantial representation in Frankfurt."

He was talking about international business in which Frankfurt reigns supreme. Few countries are as thoroughly federalised as West Germany, or as well banked, and it would be impossible for a single city to corner the market in corporate finance in a country where the headquarters of the industrial majors are so widely dispersed.

Even so, Frankfurt gets more than its geographically fair share of West German industry's financing requirements. While much of the export financing is done through Hamburg, Frankfurt also has a substantial finger in the pie.

Origins of Frankfurt banking go back more the 550 years. The first recorded place of money exchange, on the Roemerberg in the heart of the city, dates back to 1402. Much banking business was transacted as a result of the regular internationally patronised trade fairs which have been held in the city since the Middle Ages.

A stock exchange, called the "Burs" and the forerunner of the present Frankfurt bourse, was established by merchants in 1585. In doing so, they laid the foundation stone for one of the West German banking industry's most important activities.

Since then Frankfurt has provided Europe with many of its leading bankers. If the name Rothschild is the most famous, it is by no means the oldest: Bethmann, Gontard, Hahn, Graneltus, Hauk, Dreyfus and Schiff, for instance. B Metzler seel. Sohn and Co., which was founded in 1674, is one of Europe's oldest banks remaining in family hands.

Frankfurt money provided the finance for the industrialisation of much of Europe as well as Germany itself. It provided the cash for railway construction at home and abroad. And it put up the funds for the continent's wars.

By 1850 the city's population had grown to 50,000 people and it was claimed to have one bank for every 170 citizens. To-day the ratio is very much lower but banking remains Frankfurt's most important industry.

The city houses some 140 West German financial institutions and is also the site of the Bundesbank headquarters. Furthermore, foreign banks have been flocking to West German in recent years and the majority have been drawn to Frankfurt. The bulk of the 50-odd foreign banks with branches in West Germany have located in the city, as have those with representative offices.

While the enthusiastic internationalism of Frankfurt has been the spur for the bankers coming to the city, the strength of the industry which provides them with their livelihood is drawn from West Germany's awesome "universal" banking system, which gives the banks a breadth of action unrivalled in Europe—or North America for that matter.

Unlike Britain and North America, deposit and investment banking functions are not separated by law in the Federal Republic. Although the system is very closely supervised, the West German banks are free to offer the entire range of services under one roof. They hold the country's savings, provide industry with finance, act as investment institutions, offer stockbrokerage services and investment advice. They also own a substantial slice of the country's industry and control even more through the exercise of the voting rights on shares deposited with them.

Freedom

But although the West German banks take full advantage of this freedom of movement, the foreign banks tend to limit their operations rather more narrowly. They tend to concentrate on the foreign exchange market, the issues business, often in partnership with German banks, corporate lending and advisory work for clients.

While foreign banks with branches enjoy the same freedoms as their German counterparts, none, for instance, deal on the stock exchange. A British banker said: "No foreign bank is active in the bourse as far as I know. The day may come, of course, but it seems a long way away."

Perhaps one of the most important reasons for this is that Frankfurt really did not re-establish itself as a major international financial centre until the mid-1960s. The West German banks, preoccupied first with finding the wherewithal for the reconstruction of the country's war-shattered economy and then with financing the "economic miracle," were relatively late in moving into the international scene.

But the coming of the Euromarket and the growing awareness of the Federal Republic's economic strength thrust them into the international arena. Today overseas business is contributing a growing share of turnover and a disproportionately hefty chunk of profits. Scarcely a leading bank worth its salt derives less than 30 per cent of its earnings from abroad.

The expansion of Frankfurt's influence in the banking world can be judged from the increase in the number of foreign banks which have established branches in the Federal Republic—mainly in the city. In 1957 15 foreign banks, mainly American, had branches in Germany. By 1975 the number had expanded to 49, rising to 51 last year after 1976's dazzling banking profits.

It is difficult to place a figure on the business that the foreign banks do in Frankfurt. Last year the aggregate business volume of the 51 foreign bank branches reporting to the Bundesbank amounted to DM 33bn—down from 1976 when 49 branches reported a total volume of DM 34.01 bn. The figures also look puny when compared with the massive DM 1.746.8 bn aggregate business volume of the entire West German banking system last year. It amounts to less than 1.9 per cent.

However, it must be remembered that there are numerous representative offices which are not obliged to report to the central bank. Although these offices do not conduct business as such, they are actively involved in developing business in West Germany for their home-based banks.

Because of the reporting requirements imposed upon branches, many leading banks content themselves with representative offices—the British Midland group included. While it is difficult to assess how many there are, the business they generate is thought to be substantial.

A number of bankers, Germans included, claim that a representative office provides banks with the most cost-effective way of operating here. Not only are overheads lower, but representative offices are spared the close attentions of the Berlin supervisory office and are not subject to the stringent German equity/credit ratios.

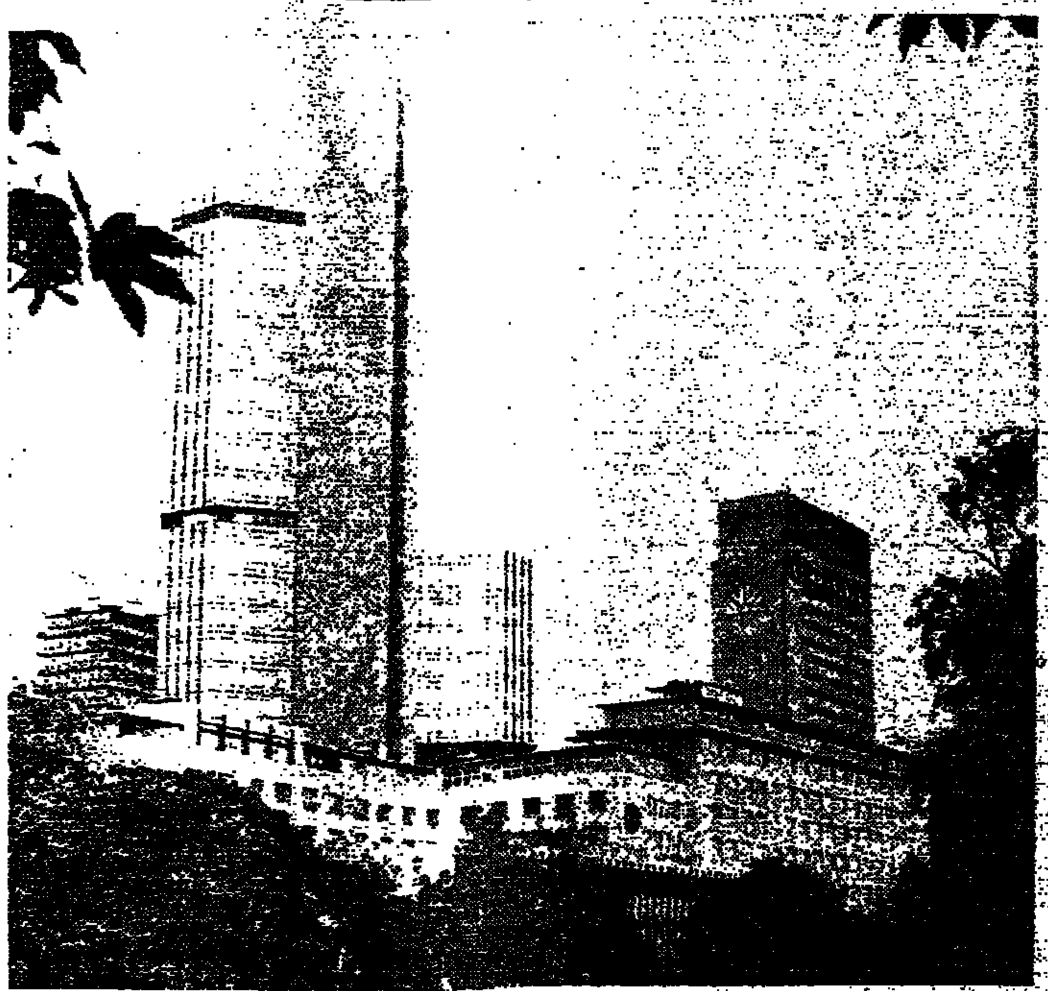
Admittedly, there are drawbacks in that representative offices cannot actively trade in the market. They cannot be involved in the foreign exchange markets, and they have the added problem of having to introduce business which is then concluded by head office.

One alternative to the branch or representative office is the joint venture. Perhaps one of the most imaginative of these is the Deutsch-Skandanavische Bank, which is jointly owned by the Bayerische Landesbank and the Skandanaviska Enskilda Bank, the Nordic countries' largest commercial bank.

It was set up towards the end of 1976 and at the end of its first full year of operation was already well in profit. With a nominal capital of DM40m and total assets which have passed the DM1bn mark, it is well on its way to achieving its goal of being the West German specialist in the Nordic countries.

Frankfurt is not an easy city for the inexperienced, as many foreign bankers have learnt—especially those who arrived with the idea of teaching the Germans how things are done. Profits are hard earned, but they are there for those with imagination enough to take them.

G.H.



Frankfurt's banking skyline

Uncertainty among market dealers

CAPITAL MARKETS in West Germany have expanded dramatically in recent years, confirming Frankfurt—already the banking centre of the country—as the dominant financial city within the Federal Republic.

In 1970, gross new issues of domestic bearer bonds totalled just under DM 21bn. By the end of this year the capital market will have put up close to DM 100bn in new paper.

Borrowing by the Federal Government more than trebled in the three years to 1977 from less than DM 7bn to almost DM 22bn. But despite this striking surge in official demand for money, the financial institutions remain the capital market's biggest customers, notably the banks and the insurance companies. Figures produced by the OECD show that the Federal Government accounted for 17½ per cent of bond market funding in 1977 with the financial sector taking up something like 68 per cent.

For the moment though, the borrowers are holding off. A prolonged period of turmoil in the foreign exchange markets culminating in the Carter "package" to support the dollar, has left dealers in Frankfurt groggy and uncertain. The situation in currency markets is still very fluid. At the same time the market faces a number of internal constraints, not the least the central bank's clamp on short term interest rates.

To stem the inflow of foreign currency anxious to avoid the ravages of the dollar, the Bundesbank has been holding down short rates in an attempt to make investment in the Deutschemark unattractive. The gambit has not worked. Moreover, with concerted attempts now being made by the U.S. authorities to stabilise the dollar, many prominent bankers in Frankfurt are beginning to argue that West German interest rates may now be too low in an international context.

Certainly the differential between money costs in London and New York and those in Frankfurt is now historically very wide. At the same time growth of the West German economy is suggesting that a significant upturn in demand for loans may occur next year.

Continued evidence of the strength of the West German economy came with the publication of the latest index for new industrial orders. Orders in the two months to September were

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Stock Exchange shows steady growth

FRANKFURT, WHERE Charlemagne held his first congress in AD 792 can trace its history as a financial centre back to the early middle ages. The city *had the right to issue coins as* early as 1180.

By the mid-14th century, when it became a self-governing city state, Frankfurt was a notable centre for trade and commerce. And it was the traders who joined forces to set up the "Burs," the forerunner of the present Frankfurt Stock Exchange two centuries later in 1585.

Regular trade in loans and debenture bonds had started by the end of the 18th century. By the early 19th, the banking houses of Bethmann Brothers and Rothschild held a leading position on the loan market. Apart from these two, names *such as* Gontard, Metzler, Hahn, Grunelius, Hauck, Dreyfus, Schiff and others have become, at one time or another, household names throughout the financial world.

The first official list of the Frankfurt Stock Exchange dates from 1727; the first dividend-yielding shares traded in Frankfurt were those of the Austrian National Bank, issued in 1820; and, says the Exchange, stock transaction increased constantly in the following years.

Good traders tend to accentuate the positive; this is how the Exchange tackled the second half of the 19th century, and the early years of the 20th. Although Frankfurt lost its status as a self-governing city state in 1866, following its annexation by Prussia and Berlin, as the capital of the German "Reich," may have had its time as the most important stock exchange in Germany; but that, reading history backwards, was the time for Frankfurt to switch its financial aspirations from the domestic to the international.

Over the years Frankfurt claims to have gained, along with London, Paris and Vienna, a leading position as an exchange of world-wide importance—above all in international arbitrage dealings and the placement of foreign issues. As evidence, it points out that just before World War One the Frankfurt Stock Exchange official list showed 388 foreign bonds and 51 foreign stocks—the greatest number of foreign securities on any stock exchange. In all, about 1,500 securities were officially traded at that time.

But that was when the bad times began. After World War One the confiscation of foreign securities in Germany destroyed the international contacts maintained by Frankfurt over the years. The domestic inflation of the 1920s made for stock exchange "prosperity" which was apparent rather than real, followed by the world-wide depression of 1930, the Frankfurt Stock Exchange's temporary closure in 1931, the foreign exchange controls of the following years and, eventually, World War II.

With Berlin divided by political stalemate after World War II, Frankfurt regained its status as the financial capital of what *is now the Federal* Republic of Germany. In terms of the domestic stock market the only real challenger was Dusseldorf (now the second most important financial centre and stock exchange in the FDR) whose proximity to the Ruhr acted as a spur to growth as a commercial centre. Again ahead of Dusseldorf, Frankfurt was the main centre of attraction as foreign bankers flocked to West Germany in the late 1960s and the early 1970s.

Listings

Listing statistics for the Frankfurt Stock Exchange over the past 10 years bear this out—with one major exception. By the end of last year the total number of securities listed on the Exchange was 4,771, virtually double the 2,391 at end-1967. Taking the bond and equity markets overall, the big numbers came in bonds, both proportionately and in growth rate—with a rise in listings from 2,086 to 4,384 over the 10 year period against the increase from 305 to 387 in equities.

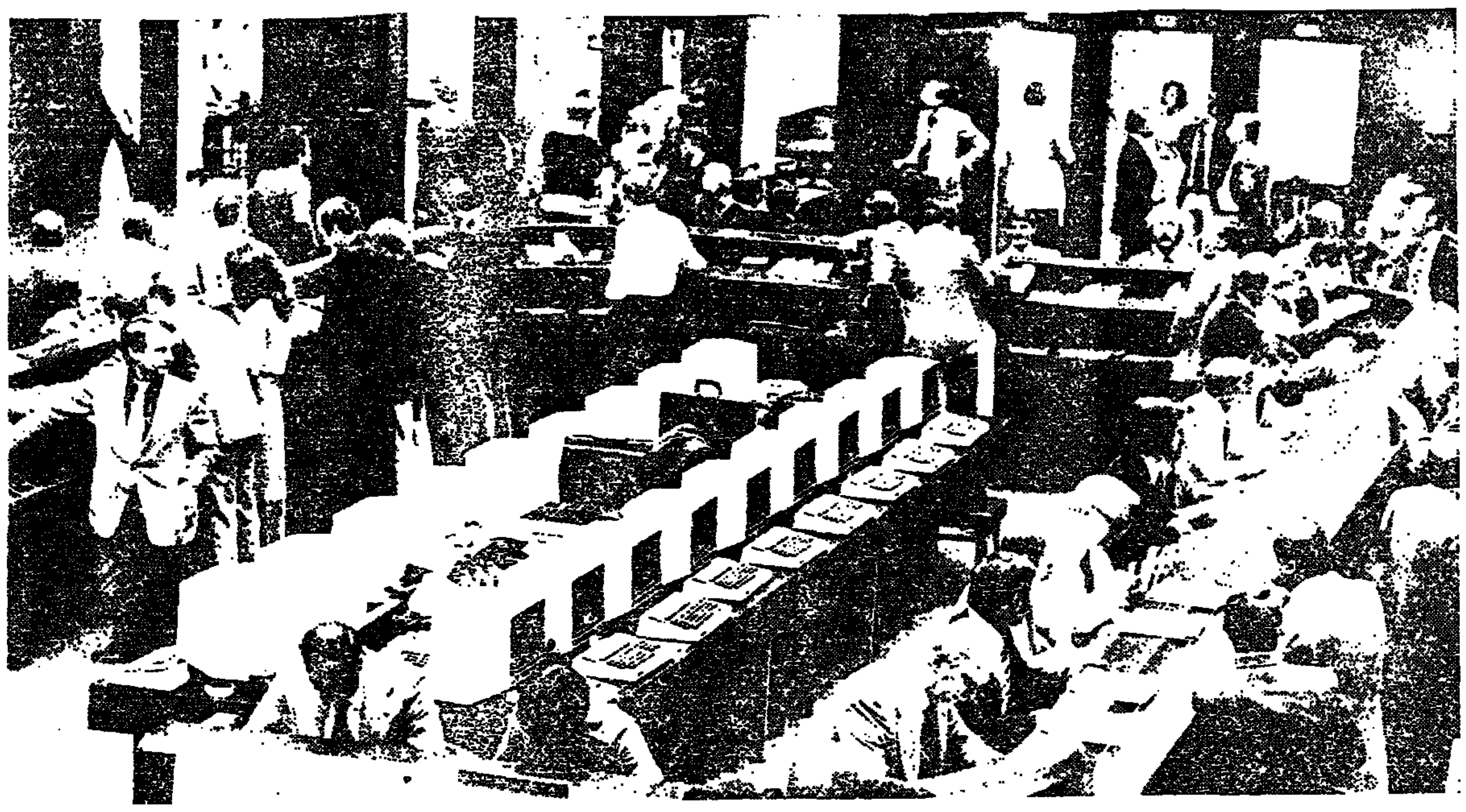
The foreign listing statistics were even better (if from a small base) in bonds, particularly, where numbers rose from 69 to 407. Foreign share listings went nearly as well, up from 39 to 156; but that meant a decline from 266 to 231 in the domestic market. The contraction itself has been mainly a result of mergers: but the fact remains that West Germany's industry remains largely in private hands and that neither Frankfurt nor the seven other West German bourses play the same role in financing it as their Anglo-Saxon counterparts.

As an illustration, within a total market capitalisation of some DM 135bn for West German shares, between DM 22m and DM 24bn has been traded annually. In domestic bonds, valued around DM 450bn, the annual trading figure has been around DM 300bn with a big content of over-the-counter business involved.

The reason for the hyper-activity in bonds is that banks, dealers and investors have carried very big positions over the past few years. The share of banks in total buying of new bond issues has amounted to between 40 and 50 per cent. They have dealt actively, too, in the secondary bond market, trying to determine the trend of interest rates; and with a downward trend in coupons there were clear opportunities to make capital gains.

That, at least, was true until the end of February, by which time the yield for 10-year bonds was down to 5.7 per cent. Since then it has escalated to 7.1 per cent. There are genuine domestic fears. The net funding requirement of the West German public sector could rise from DM 52bn in 1977 to DM 60bn next year; and if the economy is strong the private sector could be a taker, rather than a supplier of funds. On top of that, if West Germany has to take the lion's share of the $10bn projected U.S. borrowing requirement on the international capital markets—the talk being $6bn in DM borrowing, $2bn in Yen and $2bn in Swiss francs—the pressures on the bond market could prove awkward. A spokesman for one of the "Big Three" West German commercial banks did not think that yields would go higher than 7½ per cent next year, talking in terms of a 3 per cent inflation rate against 2-2½ per cent currently. But the market is clearly reserving its position.

Equities, this year, have done far better. First, the effect of West German corporation tax reform, cutting the effective tax on dividends to the domestic shareholder, was to lift the average yield by 25 per cent—despite the fact that 1977 was a bad year for earnings and that most companies cut their gross cash dividends. This, coming at a time when bonds were becoming decidedly less attractive, gave the market its initial injection of liquidity.



Trading in progress at the Frankfurt Stock Exchange

Then, since September, the fundamentals have improved. Full year GNP growth for West Germany is projected at at least 2½ per cent in real terms this year, rising to between 3½ and 4 per cent in 1979. With interim reports better than expected, the *prospects for corporate* earnings have improved at a time when the cost of living index is only a little over 2 per cent higher and relatively mild wage increases—in the area of, say, 5 per cent—seem a reasonable possibility.

All this took the Commerzbank *Index up from a May 12* low of 759.4 to an October 19 high of 863.8; and while there has been a reaction since then, there could be plenty of action still to come.

The other effect of corporation tax reform—reducing the yield to foreign investors—has not stopped them continuing to be net buyers in the Frankfurt equity market. Yield is no consideration in the sort of international equity investment which tries to combine share price appreciation with investment in a hard currency. It seems, this year, that the U.S. pension funds have become much more interested in Germany.

William Cochrane

Dealers CONTINUED FROM PREVIOUS PAGE

5½ per cent above those for the June-July period with domestic orders rising by 4½ per cent and foreign orders increasing by no less than 8 per cent. Clearly optimism about the outlook is for the economy in 1979 is now beginning to swell.

The financial community points with eagerness to the chart for real GNP which for the first half of this year shows a rise of 2½ per cent over the opening six months of 1977. Within this performance the second quarter managed to grow by 1½ per cent over the first three months of 1978. Plainly, official revisions to historic figures are part answer to the buoyancy. But the results are nonetheless proving far more encouraging than many economists had expected.

The outlook for the world economy remains as unsure as ever. But some estimates of private consumption now suggest growth of between 3½ and 4 per cent during 1979. As a result West German industry—after a number of lean years—could start to spend heavily on capital account. Recent surveys of manufacturers' investment intentions indicate that real spending on fixed assets and plant may rise by as much as 7 per cent next year.

Thus, the demand for capital could shortly begin to harden. Faced with this prospect the suspicion is growing in Frankfurt that the next move for interest rates is upwards. Recent tactics by the market's new issue managers have already begun to suggest as much.

Last year, bond yields on average declined by something like 1½ per cent to close 1977 at around 6 per cent. During the early weeks of this, yields continued to decline against a background of formal approval from the Bundesbank. Thereafter, matters started to get out of hand. By early March yields had dropped to 5.6 per cent—their lowest level for more than 10 years—as heavy inflows of foreign funds forced down interest rates.

This was plainly an overreaction and was followed by the inevitable self-righting process. By the middle of the year bond markets became more preoccupied with internal factors, notably indigestion in the Euro-DM bond market and, in the domestic arena, an upsurge in yields within one particular sector, *mortgage* bonds. The latter situation arose through a rash of new offers from the mortgage banks seeking to match an upsurge in loan business with underlying borrowings.

As a result the market in government debt turned distinctly soft through July and August as investing institutions switched into the mortgage sector where yields at one time topped 7 per cent for 10-year paper. Correction finally came as the year headed into autumn and the dollar crisis gathered pace. At the time, a renewed upsurge in demand for DM assets gained impetus from some favourable fiscal news from inside West Germany itself. This was the realisation that the Bundesbank was much further ahead in its financing of the public sector deficit than had hitherto been suspected.

Demand

Against this background demand for all types of bonds surged vigorously. But the situation contained many of the slightly unreal elements seen earlier in the year with demand susceptible to currency swings. The uncertainty made for a testing time in new issue circles, and pitching the terms of a new issue with any attempt at finesse *remains a remarkably* tricky business.

The two most recent new offerings are a graphic illustration of the problems involved. A 10-year issue from the State of Hesse met a cool response and has still not been fully placed. Learning from this experience, the Federal Railways stuck rigidly to the middle road when unveiling its DM 550m offering.

In contrast to a traditional liking for long term money and dealer expectations of a 12-year offering, the Federal Railways eventually emerged with a six-year bond, carrying a coupon of 6 per cent and priced at 99½. Deliberately and strategically aimed at the middle range of market maturities, the offer was quickly snapped up.

One present uncertainty for the bond market concerns the size, nature and timing of the issue of DM denominated bonds by the U.S. government. Proposals to issue foreign currency bonds were contained in the U.S. Government's recent dollar support measures, and it begins to look as though a significant amount of the $14bn envisaged will find its way into Frankfurt. If, and when, this happens it could conceivably soak up a sizeable proportion of available investment funds.

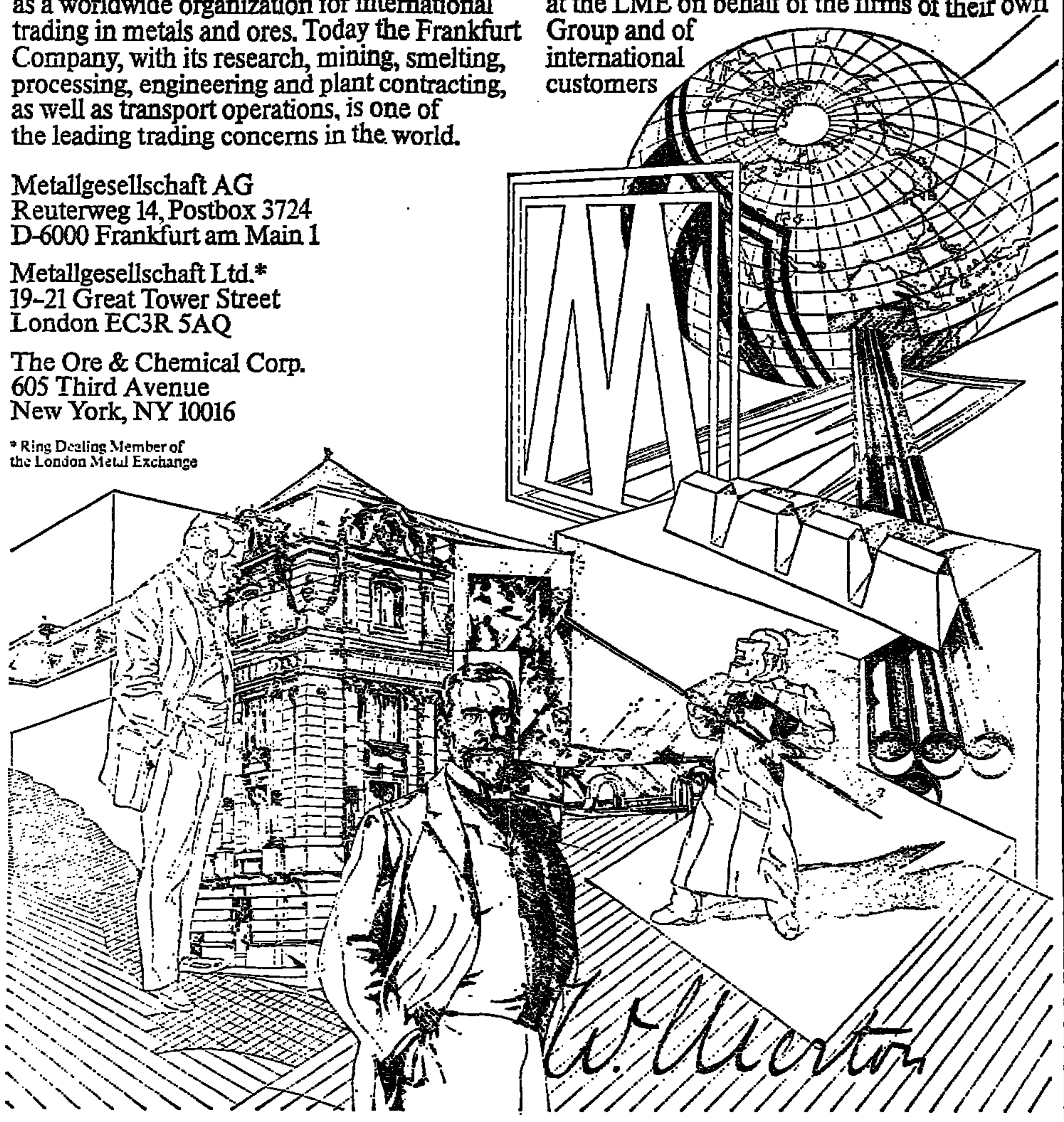
A small but nevertheless important adjunct of the mainstream capital market in West Germany is the market in Euro-DM bonds. *From the point of* view of the investor there is little distinction between a DM foreign bond and DM Euro-bond. All DM public issues are listed on the West German bourses, and are thus subject to the same trading and issuing supervision, irrespective of whether or not they include foreign banks in the managing syndicate or underwriting group.

From the point of view of the borrower, however, the two types of paper differ from one another principally in respect of the composition of the issuing syndicate. The Euro-bond would be internationally syndicated whereas the *foreign* bond would be syndicated exclusively among West German banks. By agreement, all Euro-bond offerings are lead managed by a German bank.

After the dollar, the DM is the most frequently used currency for international bond issues. New issue volume in this field has grown from the equivalent of $780m in 1970 to $6.3bn in 1977 which compared with $4.1bn in 1976. Gross news issues in this market for the first nine months of this year were sharply up on 1977.

All DM issues by foreign borrowers raising more than DM20m are informally regulated by the Central Capital Markets Committee. The Committee is concerned with the maintenance of orderly conditions in the foreign bond market. It meets at regular intervals and determines appropriate levels of forthcoming new issues, as well as the sequence of new issues for both the represented and the non-represented West German issuing banks.

Jeffrey Brown



Local specialities in food and drink

AS AN unwilling schoolboy, my grandfather always eased the agonies of the return to incarceration after the freedom of the holidays by taking me to Rules, Simpsons in the Strand, or—if he was feeling particularly expansive—the Savoy, for what he termed "a good feed." The food was plentiful, substantial, plain and tasty, and was usually awash with savoury gravy.

Had grandfather been asked to describe the typical food of the Frankfurt area, he would certainly have put it in the "good feed" category. It would be pointless to describe food from this part of the world as anything other than "substantial," but, while it is a world away from the French tradition, there are a number of dishes served here that are anything but contemptible.

By no means all of the town's Gaststätten—the small restaurants that are the German equivalents of the English pubs—manage to rise above the level of over-cooked, pre-packed frozen schnitzel. But, although a goodly number rely heavily on this stand-by, which frequently has all the appeal of the standard British pub pasty, there are more than enough offering an abundant selection of good, plain, local dishes which should appeal to all but the most jaded palates.

After the "Frankfurter sausage," which can be purchased as a tasty snack from stands all over town, probably the most truly "Frankfurt" of all dishes is the ubiquitous rippchen. This is a smoked pork chop, which, despite its name, is anything but small. Rippchen is either served cold with brown bread and mustard, or hot with sauerkraut. At its best, it is a most noble dish, boiled together with spiced sauerkraut, itself delicately flavoured with bacon.

Hot rippchen mit kraut is not necessarily the ideal dish to offer a delicate maiden aunt but it is just the thing for hard-working people on a cold winter's evening. Cold rippchen, lashed with mustard and eaten with bauernbrot is an ideal—and none too heavy—supper on a hot summer's evening.

Schweinshaxe is a dish in a similar vein, although it is even more substantial. It is a pork knuckle, the lower part of traditional shoulder of pork. Usually roasted, and often sold by weight, it is like an individual joint of pork, richly covered in crisp crackling.

A review of Frankfurt cooking cannot be allowed to pass without mention of handkäse, accompanied or unaccompanied by music. Handkäse is, as the name suggests, a pat of cheese which was originally moulded by hand. Some of the local farmers still make it that way, but no doubt the machines have now taken over the bulk of the business.

Handkäse, although sharp, is not one of Europe's most interesting cheeses—indeed, to all but addicts it has a very high boredom quotient. However, handkäse mit musik is a different kettle of fish, if one will forgive the mixed metaphor.

Served in this manner, the handkäse is smothered with a dressing based upon oil, vinegar and diced onions. Every housewife and gaststätte has a different recipe for the dressing—ours includes caraway seeds—which adds a whole new dimension to the cheese's flavour, making it worthy of a place on every cheese trolley.

The dressing itself, is not strictly the "musik." But foreigners, non-Frankfurters that is to say, who ask where the musik is are told with a snigger that it comes later—a coarse reference to the dressing's more than justified reputation for causing flatulence.

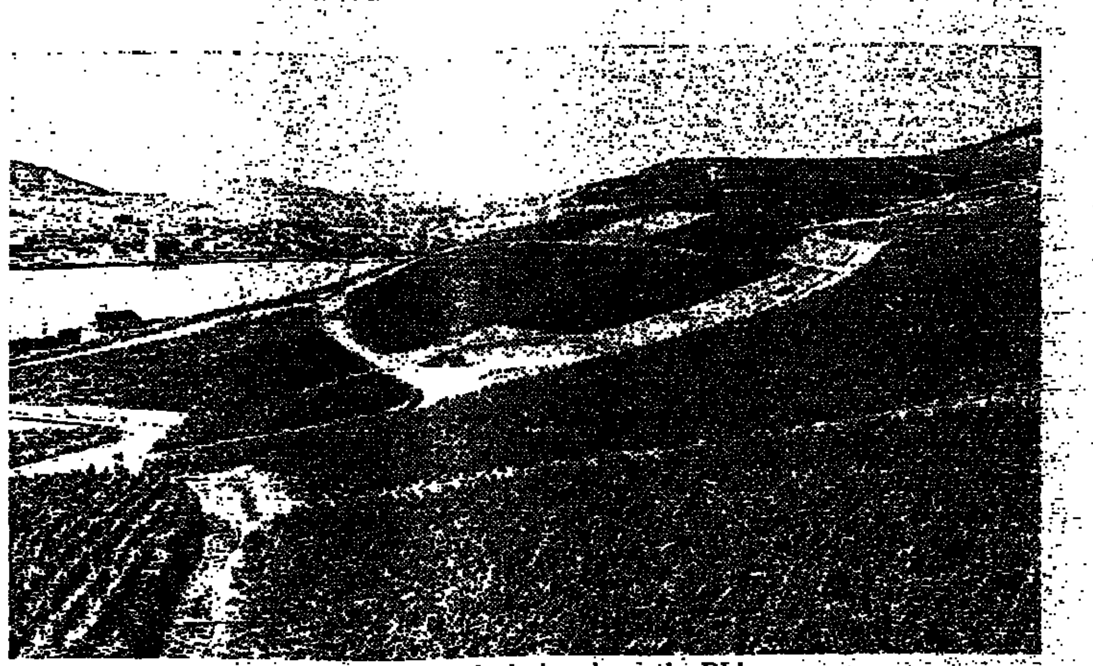
To return to a higher plane, one should not overlook Frankfurt green sauce which is made from fresh green herbs, eggs and sour cream, although I am none too clear as to the exact recipe. At home it is often served on its own over potatoes, but its piquant flavour makes a far better accompaniment to the traditional Frankfurt speciality, boiled breast of ox, than horseradish sauce and elevates a rather mundane dish to one deserving wider note than it currently enjoys.

No guide to Frankfurt cooking should be allowed to pass without reference to game dishes. These are by no means purely a speciality of the city for, in my view, German game cookery is unsurpassed anywhere in the world.

Game in Germany is generally cooked far fresher than it is in England, all the better for those who, like myself, are not enamoured of the graveyard taste of most British game dishes. While British game cooks may gasp in horror, far more game is eaten in Germany than in the United Kingdom—they consume more U.K. venison than do the British—and one should bow to their superior knowledge.

Venison — which, despite hanging until it rots, usually arrives like leather at the British table—is cooked pink and, as a result, is tender. Partridge and pheasant are cooked fast to keep the juices in and, while the flesh is naturally firm, the knife cuts it with ease. Some cooks advocate the par-boiling of older birds, before roasting.

To turn to drink, the traditional Frankfurt tipple is apple wine, known as apfelwein to the posh or ebbelvoi to the locals. Frankfurt is surrounded by apple trees and its apple wine, the like of which is found nowhere else in Germany, is dry in flavour and considerably more subtle in taste than the usual run of English ciders.



Vineyards at Rudesheim above the Rhine.

The apples are pressed in early autumn which is the season for "süss," the unfermented, newly-pressed apple juice. Süss has a beguilingly fresh, nutty taste and is an ideal thirst-quencher on hot summer evenings. But the novice should beware. Most experienced apple wine bibbers will warn that, like fresh apple wine, it is one of the most powerful emetics yet devised.

For those left cold by apple wine, Frankfurt's two large breweries, Binding and Henninger, both produce excellent beers. Dedicated beer drinkers, however, claim that their products, while good, are not up to the standard of the northern or Bavarian beers. Still one seldom hears complaints from customers.

Frankfurt is not in a wine growing area, but even so the Rheingau—one of the country's main wine-growing regions—is only 30 km or so up the road. Wine drinkers with a little time to spare can be tasting excellent wines at the vineyards which border the Rhine within an hour of leaving the city's confines.

Quality

The Rheingau (whose wines are known in Britain as Hock because much of it was originally shipped from the village of Hochheim) are considered by many connoisseurs here to be the finest of Germany's growing regions. But, as with any other wine growing region, care must be exercised in buying as qualities vary considerably. As a general rule of thumb, beware the cheapies. However, DM 5 to DM 8 can provide the drinker with a first class bottle, especially when bought by the case in the region itself.

Among the region's finest vineyards is Schloss Vollrads where the district's traditional standards are rigorously maintained. Wines from Schloss Vollrad are much sought after by connoisseurs and as such are not easy to find. They are delicate and dryer than those usually found in the district as the owners have stiffly resisted the post-war move to sweeter wines which growers feel appeal more to the average German palate. They can be found in the best speciality shops, but are probably best bought direct from the Schloss itself.

Despite its culinary tradition the most frequent complaint made about Frankfurt is the shortage of good restaurants. Sadly this is not entirely unjustified. While there are plenty of gaststatten serving good, plain fare, cooking of the premier class is hard to find and costly when found.

That said, there are good restaurants, although there is, perhaps, not the variety that one would expect in an international city of Frankfurt's standing. The French restaurant in the Frankfurter Hof maintains a high standard in the French tradition and its duck and game are particularly to be recommended.

The Hessischer Hof restaurant also has a high reputation and specialises in traditional German haute cuisine. It is certainly the place to try boiled breast of ox with Frankfurt green sauce and its venison dishes are superb. Heyland Weinstuben in Kaiserhofstrasse also serves traditional German cooking, as well as some of the best fish in Frankfurt. As a bonus it has one of the finest lists of German wines in town.

A good French wine list is harder to find, although good burgundies are easier to unearth than clarets. However, Erno's Bistro in Liebigstrasse has a French wine list that would put most leading London restaurants to shame at prices which by Frankfurt standards are reasonable in the extreme. Erno's cooking is the best in the city and it is one of those rare restaurants that seem to improve year by year. Erno, who learnt his craft at one of France's greatest restaurants, changes his menu daily serving only what is available fresh from the market—a refreshing change in a country rapidly going over to pre-packed food. Everything is good, but his fish and fresh foie gras should not be missed. His beef is the best in Frankfurt.

At the other end of the scale, the greatest exponent of the scheinshaxe is Kochersperger in Schifferstrasse in the less fashionable quarter of Sachsenhausen. Kochensperger is an unpretentious place, which, fortunately for its predominantly working class clientele, is unlikely ever to figure in one of the gastronomic guides. But although gastronomes may sniff, its schweinshaxe — an enormous chunk of meat—is highly rated by true afficianados of this dish, myself and many of Frankfurt's late-night cab drivers included.

G.H.

Industry plays its part

FRANKFURT's ROLE as a focal point for industry is frequently overlooked. With the spotlight on the Bundesbank, the multitude of domestic and foreign banks and their branches, the insurance companies and other members of the financial community, it is easy to forget that there are producers of wealth as well as distributors.

It is true, too, that Frankfurt is not the centre of large-scale industrial production. Among the really big corporate names with production units in the Frankfurt area are Hoechst, one of the big three German chemical manufacturers, and Adam Opel, fondly known as the "money machine", subsidiary of General Motors of the U.S.

But as one industrialist put it recently, employers tend to go where the labour is. Or, if they go in for finer judgment than that, they will locate production, headquarters, design or trading staff in areas which either have, *or can attract a supply of the* appropriate personnel. What is remarkable about Frankfurt is the high proportion of decision takers to line workers that the employment statistics have suggested, and that industrialists themselves confirm.

The theory goes as follows. Recent statistics show a total population for Frankfurt of 633,342 inhabitants, 114,457 of these foreign nationals, and a very low unemployment ratio. So even with its natural communications advantages—a centrale position in Germany or in Continental Europe, an international airport with impressive air-freight facilities, the Rhine and Main waterways and up-to-date motorway and rail networks—prospective newcomers with a high labour requirement would have to think twice.

Restructuring

But that is now, so what about the last 30 years? The post-war restructuring of the German economy was managed from Frankfurt. The influx of domestic and foreign banks generated all sorts of support operations, one group almost following upon another. Frankfurt ingested an inflow of industrial headquarters, accountants and housing; it saw a massive boom in the hotel business, communications facilities were further extended and so on.

All these things have created a very big service industry in and around Frankfurt, which also has a lot of lighter industry including the production of a great variety of consumer goods, from ceramics to textiles. The fur trade moved to Frankfurt after the war from Leipzig while Offenbach, adjoining Frankfurt, is the traditional centre of the leather industry. But perhaps the most encouraging aspect for internal observers is the proliferation of small businesses which promise further growth in the future.

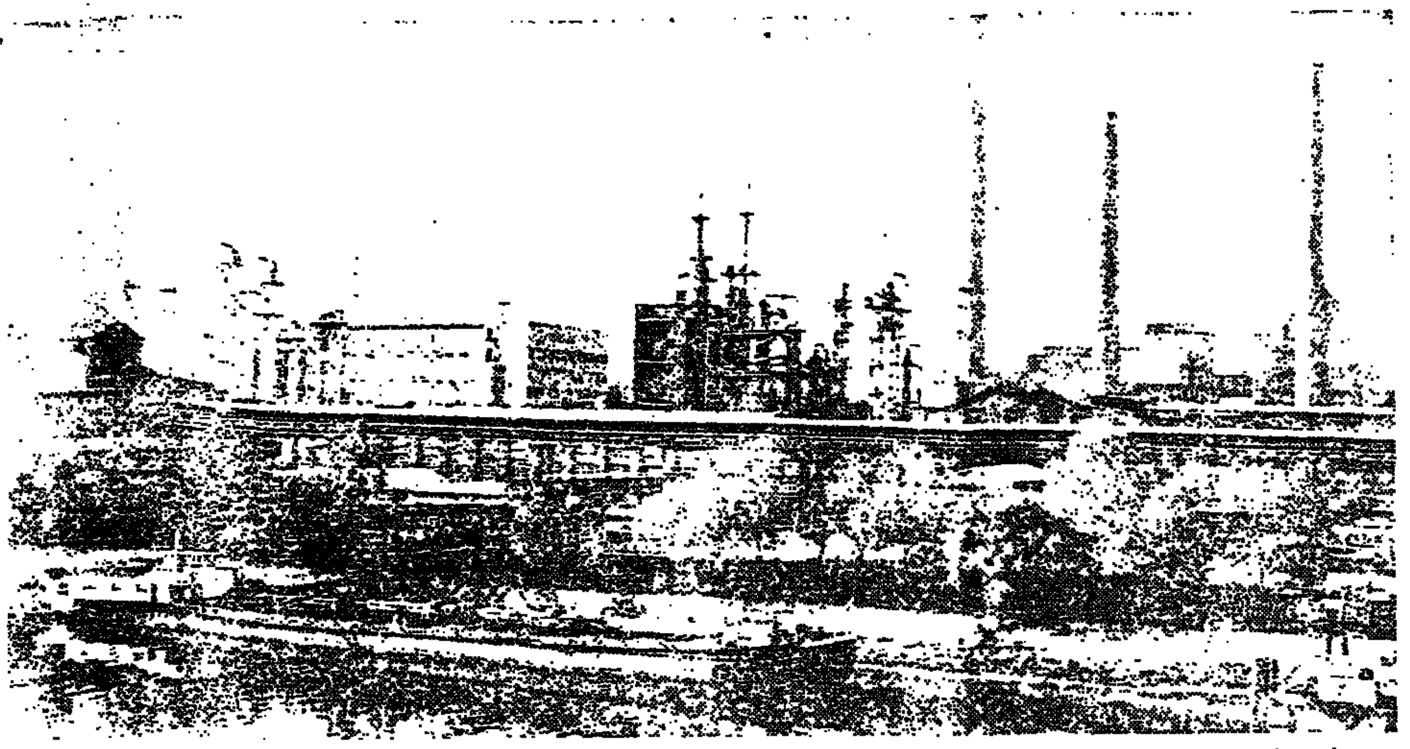
Big league German companies with administrative centres in Frankfurt, apart from Hoechst, include AEG-Telefunken, Metallgesellschaft, Degussa and Philipp Holzmann. AEG could be described as the increasingly weak sister to Siemens in the West German electrical stakes. It had to sell *out its 50 per cent* stake in Kraftwerk Union (KWU) to its pertner (Siemens again) in 1976 after massive losses in 1974 and in 1975.

The sale agreement did not cover Siemens' assumption of losses stemming from contracts brought by AEG into KWU. Last September it was agreed finally that AEG would pay some DM1.215bn to cover *the losses on contracts brought* into the power station construction group. AEG separately announced that this, on top of a bad business year, would result in it reporting a 1978 loss. This will be AEG's fifth year in a row without paying a dividend.

Where AEG's problems have been particular, those of Metallgesellschaft (MG), the metals, engineering and transport combine, have accentuated the general. Much of its business is conducted in sterling or dollars but it must account to its shareholders in Deutschemarks. This has been a typical complaint from Japanese, Swiss and German industralists recently, although most of them have played down the consequent saving in import costs.

In its interim report earlier this year MG gave this—or, more particularly the decline in the dollar—as the main reason why earnings for the first five months of 1977-78 were well below target. But another vital factor had been the weak state of the market in zinc—a metal of which MG is an important producer—and it was felt that the zinc market situation would play a decisive role in the losses of the group's smelting and mining activities.

Last September, indications of some stability returning to the zinc market were mentioned *by Mr. R. T. Swemmer in his* statement with the annual report of the Anglo-Transvaal group's Prieska copper-zinc mine in South Africa. But he added that a strong economic upturn must occur in major consuming countries before prices of both copper and zinc recover to more realistic levels in real terms.



A tanker at the Hoechst factory in Frankfurt for removing organic chemicals to the company's other plants.

However, MG takes great solace in the performance of its highly successful Lurgi plant construction subsidiary. This is where the international and outward-looking character of Frankfurt shows through. MG spends around DM24m a year on air and travel tickets. Lurgi already has an 85 per cent export ratio. MG hopes to help China (and itself on the way) in developing a non-ferrous metals industry. It also has plans for coal gasification in the U.S., copper in Chile and bauxite in Venezuela.

As a variation on MG, Degussa, the metals and chemicals concern which was unscrambled from a cross-participation between itself, MG and Henkel following the Allies' stipulations on decartelisation after the war, was thanking a rise in precious metals earlier this year for one bright spot in a situation where world chemicals demand remained slack, and margins had been pared by the downward course of the dollar.

But that was in March. By October, Hoechst was talking far more cheerfully about 1978 prospects than it did only four months earlier. "Muted optimism," or more specifically a forecast of at least maintained profits after a slide of 25 per cent in the first quarter, was one reason why the investment brigade have been talking about better "fundamentals" recently.

Still in the chemicals sector, the Darmstadt-based E. Merck, one of West Germany's leading pharmaceutical concerns, said that 1978 had started with a considerable improvement over the disappointing performance in 1977.

Perhaps one of the most confident reports this year was produced by Philipp Holzmann, one of the leading construction companies in West Germany. Accentuating the positive again, Holzmann noted that, for the first five months of 1978, building output was a fifth higher even with the domestic operations running marginally below their 1977 level. Despite changing currency relationships, it said, the development of the overseas construction business was "positive."

Positive

Even more positive, in international terms, was Holzmann's October move to take over the U.S. company J. A. Jones Construction. Jones mainly operates in the U.S. domestic market, and at present Holzmann does no work in North America. It would like a North American arm to reduce its heavy reliance on the markets of the Middle East where it has built up a large volume of business.

Perhaps the most independent, and outward looking note among the Frankfurt-based companies is struck by subsidiaries of much larger parents. Messer Griesheim, the producer of industrial gases, welding and cutting equipment—owned two-thirds by the Hoechst group and one-third by the Messer family—is on record as saying that it sees the world, as well as West Germany, as its market for solving energy and environmental problems. Uhde, a wholly-owned subsidiary of Hoechst, beat the Japanese after two years of negotiations to secure a DM200m contract to build a polyester granolate plant (to make the base product for polyester fibre and filament production) in the Soviet Union. Earlier Lurgi and Korf Stahl landed a DM500m contract which will play a major role in the development of the huge Kursk iron ore field. "It all goes to show," said a local observer, that Frankfurt also has a high capacity for "blue print transfer" and the export of technological knowhow.

W.C.

Promoting the arts

FRANKFURT AND culture: not so much a contradiction as a challenge. Frankfurt, the city most people love to hate, particularly if they don't live there. But while bombs and property development have blasted out most of the centre, Frankfurt is not just the bleak financial capital outsiders tend to imply. It is true that ever more office, bank and business blocks continue to fill up crowded air space, but that *does not mean that nothing* happens on the ground. Even underground. Frankfurt has a superb new communications network for commuters, who can now get trains which will take them straight into the centre from towns all round. Considerable pedestrian areas, landscaping along the river, restoration of old houses, and preservation of older suburbs have much improved the city's appearance.

Overshadowed

For a city of such international importance Frankfurt is surprisingly small, its population still under 700,000. It tends to be slightly overshadowed by its larger relations such as Hamburg, Munich and Berlin. Yet if Frankfurt does not set the pace, it certainly is not standing still. Like its architecture, a bulldozer marriage of warm sandstone and concrete grey, the city is full of contrasts. So the dust has no time to settle, even where one might most expect it.

In recent years the city has been making determined efforts to bring culture to a wider public. Theatres and museums have been opening front and back doors, with discussions between public, actors and producers before and after major productions. With jazz and classical concerts — both popularising experiments — museums have helped to break down associations of middle-class stuffiness that such institutions tend to have for the younger generation. The Historical Museum has been controversial, but it has drawn the crowds. Other museums have also recorded much higher attendance figures: the Goethe House, the Senckenberg Natural History Museum, the Liebig and Städel Museums. For its size the Städal has an outstanding collection, perhaps particularly of Expressionist work. Attached to it are both art and craft schools.

Frankfurt is a very musical city, whether it be pop in the Messegelände, jazz on a riverboat, or Bach in one of the big banks; and not only professional music, as a glance down the local events column around Christmas would reveal. Frankfurt has two musical academies. Young artists may even be lucky enough to perform before an audience through the initiative of members of a prominent Frankfurt family who arrange *regular concerts* at *their house.*

But Frankfurt still lacks a good concert hall. At present there is only the Opera House or the Jahrhunderthalle, a multi-purpose building which rises like a large concrete mushroom from the fields beyond the city boundary. What is more the acoustics can be something of a technical nightmare. It is hoped that the result of private initiative, nudging slightly unwilling local authority will be a new concert hall built into the shell of the old Opera House.

Although perhaps a little too close for comfort to Stuttgart, the Frankfurt Ballet has recently created some exciting new productions.

After the arrival of Michael Gielen, opera has been very much in the news. There was a very beautiful production of *Don Giovanni* last season. Through ingenious lighting effects the main characters were caught in such a way that they seemed to be singing from the frames of 18th century portraits. By no means only classical opera is to be found on the programme. Shortly after a rare performance of Handel's *Julius Caesar* came an ultra modern opera by the Italian composer Nono. *A Flying Dutchman directed by Jonathan* Miller is announced for the New Year.

Over the past few years theatre in Frankfurt has sometimes reminded one of the explosive possibilities of broth when stirred by too many cooks. One municipal theatre may soon close as a result of an overdose of co-determination, although its one-time director was Reiner-Werner Fassbinder, one of Germany's most brilliant and prolific dramatists. Productions in recent years have been a mixture of emperor's new clothes and attempts to shock a now relatively unshockable middle class. It has been very much director's theatre in which dramatic, even traumatic settings have sometimes got in the way of words and meanings.

Recent Shakespeare productions are a case in point. In *Twelfth Night*, characters went through a series of sado-masochistic rituals which served to distract from rather than concentrate attention on what the words were about. The translation took out all the poetry so that the clown (a women) did not sing. If she had, it would not have been "What is love?" *but "How is love?" Similarly* the idea of making Malvolio keep his finger well up his nose while reading the trick letter is amusing, but then the letter itself is amusing. As it was the letter got rather lost in the nose-picking. Visually and technically, theatre in Frankfurt has often been exciting. Wilfred Minks' forest in *Midsummer Night's Dream* was a blaze of garish colour: *Pre-Raphaelite* rose bowers next to aspidistras and headless deer. It was populated by an army of grotesques. Not a dream but a nightmare.

Cinema fans are well looked after, with the Kommunales Kino, which has a constantly changing programme of film classics.

City children have some compensations. The Frankfurter Figurentheater has a series of specially written plays which are marvellously funny and musically stimulating. There is a Christmas Fair, special play-centres in the summer, reading competitions, and often children's days at the theatre.

Frankfurt spends a lot of money to support the twin-city programme with Lyon and Birmingham, something which is not always fully reciprocated. There is a regular programme of guest performances and exhibitions.

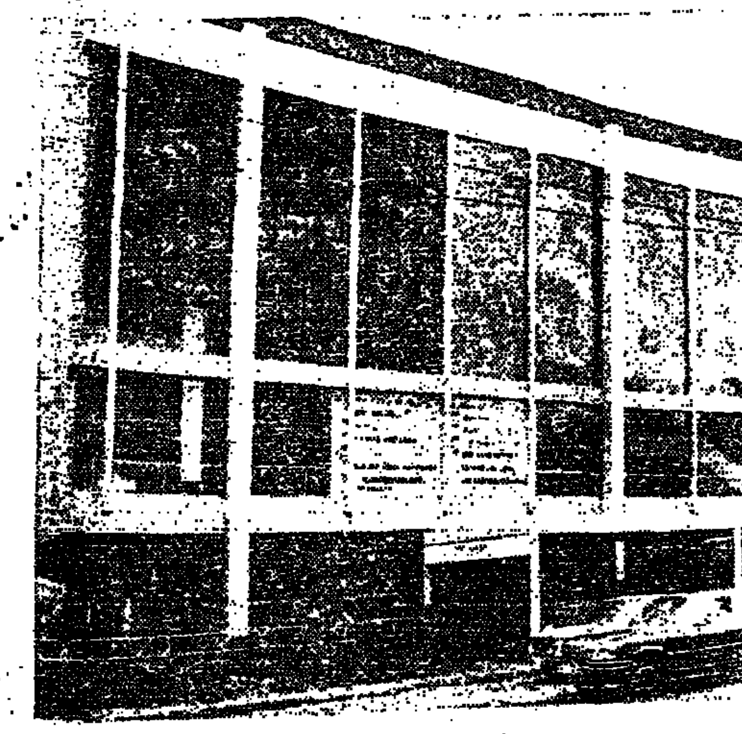
Enormous

The Book Fair is so enormous and internationally known that it hardly needs mentioning. But Frankfurt has a number of famous publishing houses too; S. Fischer and Suhrkamp being perhaps the most outstanding. Bad Vilbel, on the outskirts, has created a post of Stadtschreiber, in an attempt to bring writers into closer contact with the public.

Other kinds of culture may be found at the botantical gardens (the Palmengarten) and the zoo which has recently opened a special house for night animals. There one can see among other creatures, a descendant of Rikki-Tikki-Tavi Kipling's formidable mongoose.

In fact there is always something on if one takes the trouble to find out. Even early on Saturday morning, when the flea-market opens shortly after six all along one bank of the river. That too is just one more example of Frankfurt's genuine, sincere attempts to bring the city to the people.

Dr. Jo. Rippier



Frankfurt's new opera house.

Attractions for the visitor

FRANKFURT AM MAIN, once one of Europe's loveliest medieval cities, was devastated during World War II and has been rebuilt in modern style. For the visitor there is little to arrest the eye or excite the mind. For sights of note the tourist must go outside the city, up to the Taunus mountains to the west and north, south to Heidelberg, or west to the Rhine.

Before embarking to see tourist attractions around the Frankfurt area it is a good idea to visit the few noteworthy points within the city. One starts with the Roemer, the old town hall that stands as the symbol of the city. Built in 1405 the building has a gothic facade and, within, the emperor's chamber. Emperors of Germany were crowned at the Cathedral, which is in the same complex as the Roemer in the centre of the city by the Main.

The pedestrian area between the Roemer and the Cathedral (Dom) has been earmarked for restoration, and in the future visitors will be able to see the medieval square restored with typical houses of the time. Currently one can view excavations of Roman ruins on the site.

Not far away, on the Grosser Hirschgrabenstrasse, stands the Goethe house, where the poet was born and spent his childhood. It has been restored and a museum created in the neighbouring house.

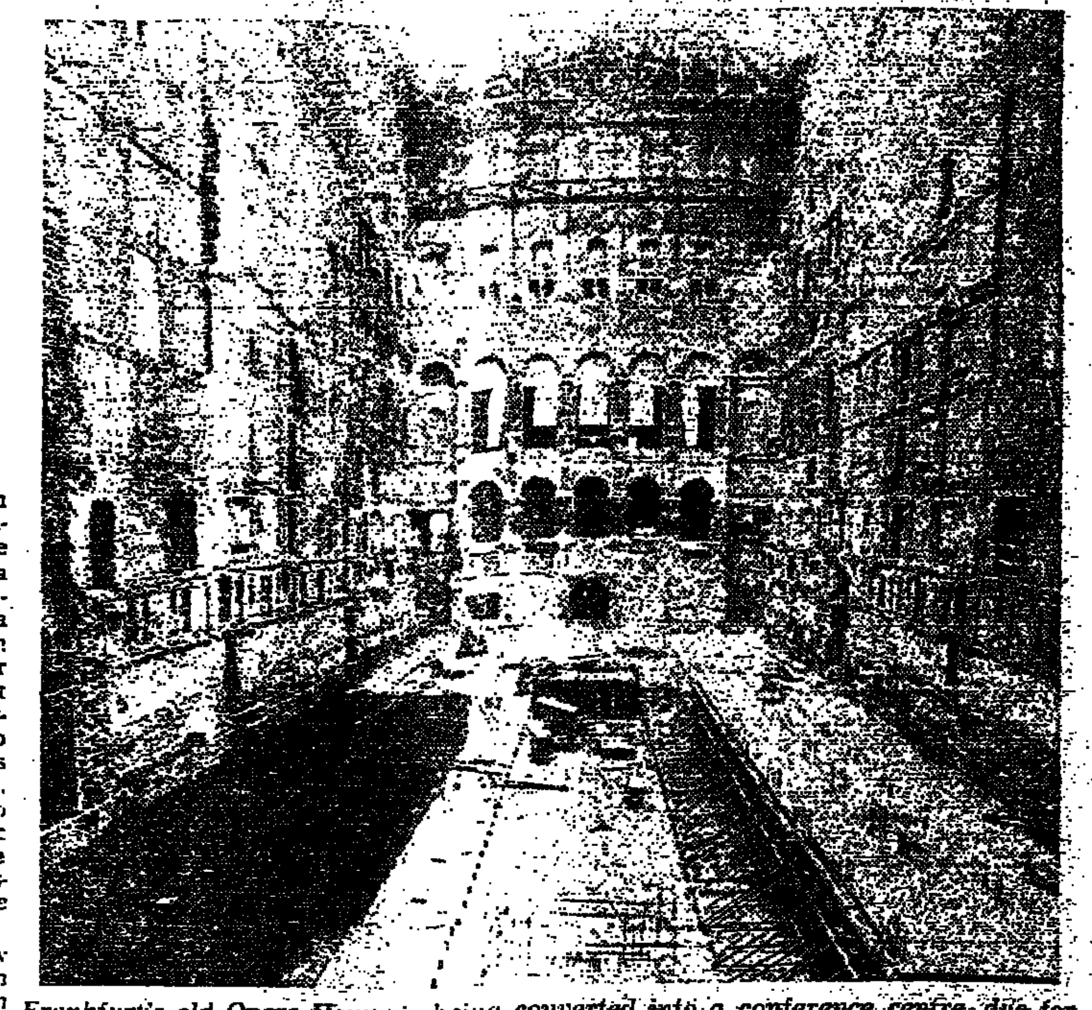
Other museums of interest include the Historische Museum, also in the Roemer complex, which traces the history of Frankfurt from Roman times to the present day. The Senckenberg Museum on the Senckenberganlage has the biggest and finest natural history collection in Germany.

Frankfurt boasts an excellent zoo as well as a fine botanical garden called the Palmengarten. Both the zoo and the garden are centrally located and well signposted.

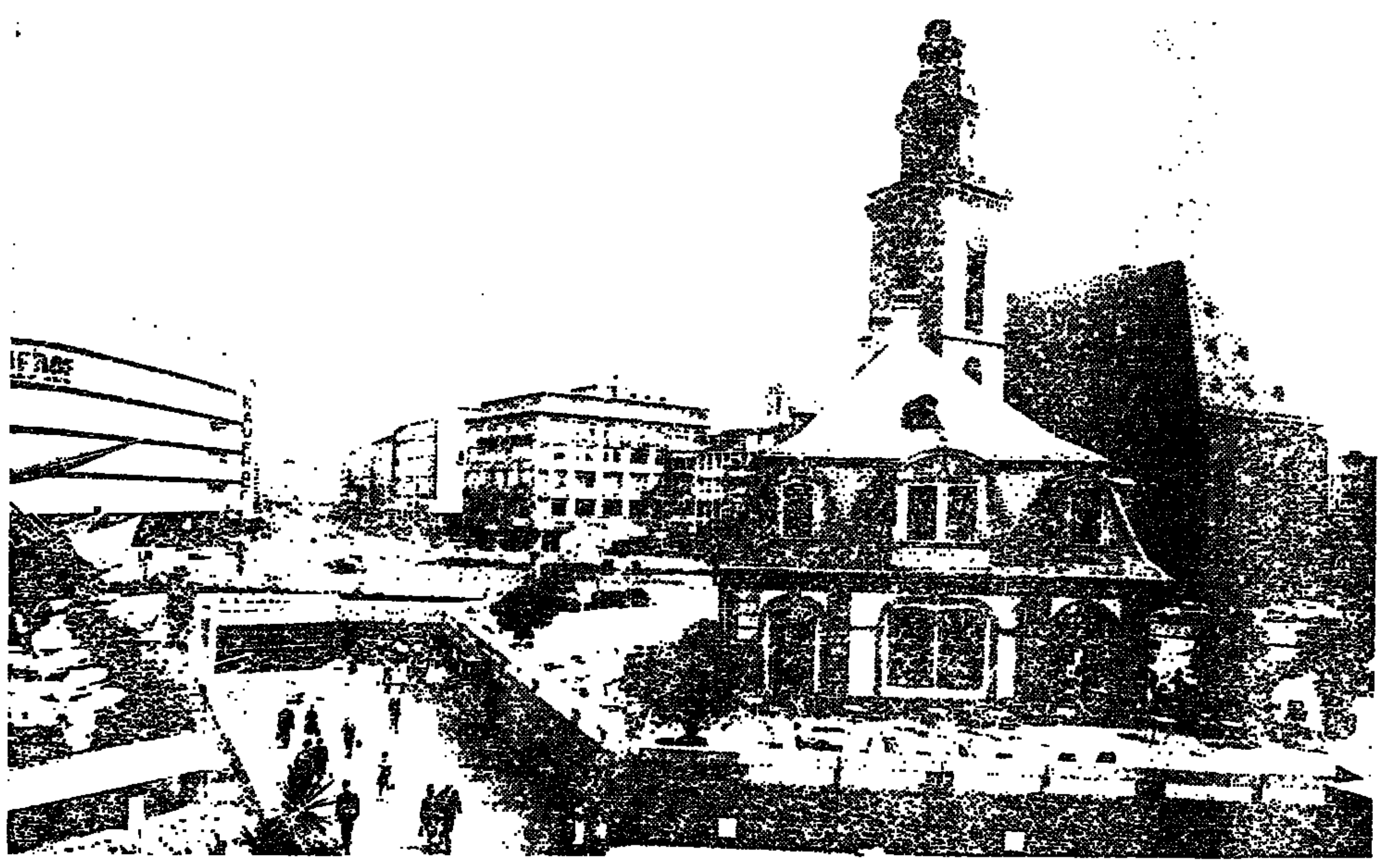
Traditionally, those seeking a true Frankfurt atmosphere are directed toward Sachsenhausen on the south side of the river where restaurants and pubs and apple wine "stuben" vie for the nightlife customer. Sachsenhausen was only slightly damaged by war-time bombing and its narrow streets and old houses preserve some of the old flavour of the town. In the apple wine stuben one can taste local food specialities like rippchen with kraut (boiled cured pork loin with sauerkraut) or buy a pretzel from a vendor to go along with a bemble of Ebbelwoi (bembles being the traditional blue stone jugs in which the wine made from apple is served).

Staying in Frankfurt can be an expensive proposition with double rooms in first class hotels costing from DM 90 (£23) and up outside of fairtime and DM 120 (£32) and up for a double when there is a fair on. Staying outside the city in one of the nearby mountain towns means a substantial saving to the pocketbook. A night in a Gastätte—a small pub hotel—in this region can be found for DM 35 (under £10) per night for a double. At plusher hotels in the countryside the prices are still likely to be a third or so less than hotels in town. Frankfurt, after all, caters not to the tourist but to the merchant and the banker. It is a business city and its skyline today is growing more impressive as tall towers of commerce reach toward the sky.

At the riverside just below the Roemer visitors can, in season, take a cruise on a steam boat up river to where the Main and the Rhine meet or even further. If you wish to make a day of it you can do a Rhine-Main cruise in the early morning, returning late at night.



Frankfurt's old Opera House is being converted into a conference centre, due for completion in 1980.



The Hauptwache—the old watch headquarters—and the main shopping area.

Convenient

Frankfurt is convenient to many noteworthy tourist sights. The drive to the Rhine to view castles, the Lorelei and to taste the fine wines of the Rhinegau region take about 2-2½ hours. Starting at Rudesheim one can drive along this famous route towards Koblenz or embark on a boat. Several of the boats have bands on board traditionally oompaahhing their way along the river.

To the south of Frankfurt, about a 1½ hour drive away, is Heidelberg. Here perched above the town is a large castle where one can tour restored rooms and enjoy the view below, which on a clear day extends from the Neckar Valley up to the Main Valley. Below in the town the old bridge and the Heiliggeistkirche (Holy Ghost Church) are worth a visit. Across from the church stands the Zum Ritter, which today is a hotel and restaurant. Built in 1592, Zum Ritter is the oldest surviving building in the old town. It serves excellent food and has a good selection of local wine.

Although Heidelberg is more touristy than many other attractions around the Frankfurt area, perhaps because of the large American Army presence, it is still worth a visit. The student cafes in the centre of the old town are a pleasant way to relax, sit down for a beer and look at the mementos of duelling days which decorate the walls of many of these pubs.

The best approach to the castle and on up the mountain is by the Bergbahn (funicular), which goes in two stages all the way to the top (the Koenigstuhl) and affords a panoramic view of the valleys below.

Another good day trip from Frankfurt is to take the B roads, such as the B8 north of Frankfurt through the Taunus mountains. The views are pleasant and the goal is a small town called Weilburg, where the palace of the House of Nassau stands. The tour through the state rooms is worth doing and combined with the pleasant drive (about 1½ hours from Frankfurt by car) makes a good day trip.

Half an hour's drive east of Weilburgh lies Braunfels with its fairytale castle and old town. Meals and lodging along this route at any attractive gaststatte with Fremdenzimmer (tourist rooms) will be far cheaper than in the tourist centres mentioned above. Off the beaten track, these are primarily places which attract the German tourist rather than the visitor from abroad, but worth seeing all the same.

Dotted

The same mountains, the Taunus, are dotted with spa towns, some of which are very close to Frankfurt, such as Bad Homburg von der Hohe. Bad Homburg has a 44 hectare spa park. As well as attractive gardens and a small palace, Bad Homburg has waters that are reputed to be good for the stomach, liver and circulation.

About 5 km north of Bad Homburg is the Saalburg, a reconstructed Roman outpost with artifacts of the Roman occupation from many parts of Germany. The Saalburg is built on the site of a former Roman fortress which guarded the boundary of the empire when it was at its height.

Several other spa towns lie within commuting distance of Frankfurt. These include: Kronberg, which has a delightful tiny castle built in the 13th century and from which one can catch a good view of Frankfurt down below; Koenigstein, with castle ruins above the old town which are great fun for children to explore—the cure here is water, reputed good for circulation; Bad Soden, whose thermal baths are noted as therapy for heart problems and rheumatism among others and which has functioned as a thermal bath and spa since the Roman times.

Further information about touring in and around Frankfurt can be obtained from the tourist information centres around the city. The Verkehrsverein (information bureau) stands in the station and airport, as well as under the Hauptwache—the old watch headquarters in the middle of the city's shopping district. Here, too, one can obtain information on theatre, opera, concerts and exhibitions around town.

Charlotte Omohundro

The curse of Harold Macmillan

THE CONSERVATIVE party has been going through another of its crises of confidence. There is no objective reason for this, but the signs are unmistakable: doubts about the leadership, doubts about the party's course, and excessive introspection. The fit comes on every few months.

It is tempting to put the present bout down to the Berwick and East Lothian by-election and the re-emergence of Mr. Heath, and perhaps these events were what set it off. But if you think about it for a moment, the party must have been in a particularly jittery state in the first place to be so upset by such relatively minor incidents.

Of course, it would have been much nicer if the by-election had been won. Mr. Denis Healey, the Chancellor of the Exchequer, would have been unable to make taunts that the popularity of the Government's incomes policy has been decisively demonstrated by the voters.

Mr. Healey is talking nonsense. Not only is the incomes policy visibly falling to pieces; there is also no reason to think it had anything much to do with the result in Berwick and East Lothian. The Government is doing well in Scotland because it has been paying attention to Scottish grievances. It has yet to be shown that it is doing well in England. In other words, the situation is much the same as it was when Mr. Callaghan chose to postpone the general election.

As for Mr. Heath, there is no particular evidence that the Labour Party has ever suffered unduly at the polls because of its internal divisions, nor that his differences with the present Tory leadership are anything like as great as those which have existed—and exist—on the other side of the House. The Conservative Party ought surely to be big enough to live with a little local difficulty.

Yet the problem is that manifestly it is not. Time and again, it is the little things that upset it. It takes only the tiniest incident to throw the Party back into a fit of self-doubt. There is very little sense of authority.

It would be tempting again to put the explanation down to absence from office. But this theory too does not hold up. The Tory Party was in office from 1970-74. When it returned to Opposition, it reacted by deposing its leader, and by having periodic doubts about his successor ever since. It is also actively engaged on rewriting the history of the 1970-74 administration. To border on the psychological, it is therefore difficult to escape the conclusion that something happened to the Conservative Party some time ago from which it has still not fully recovered.

Actually, it was the resignation of Mr. Harold Macmillan in 1963, and the particular circumstances which surrounded it. One does not even have to be especially well-informed to note the consequences which flowed from—and which are still flowing from—that event. In the first place, Mr. Macmillan did the unforgivable by resigning during the party conference, thereby throwing the party into a turmoil. If the resignation had been delayed by only a week, everything else might have followed more sedately. There would never, to start with, have been that unseemly public battle for the succession.

In the second place, the manner and timing of the resignation led to two major refusals to serve under the new administration of Sir Alec Douglas-Home. It may not have been clear then, but it became clear beyond doubt very shortly afterwards, that Mr. Iain MacLeod and Mr. Enoch Powell—once the closest of friends—represented different stands within the Tory Party. Both were romantics and both had popular appeal, though Mr. Powell's was developed later. Yet, in so far as these terms have any meaning, Mr. Powell went off to the right while Mr. MacLeod remained on the left. The party was thus deprived, at least for a time, of two of its main buttresses, let alone of the now Lord Butler, who departed from politics prematurely.

There should be no doubting the bitterness of that period, despite the fact that the Tories did something to conceal it. Mr. Macleod privately titled his famous "What happened" article in the Spectator "Some of what happened." He also remarked that, contrary to the general impression, Sir Alec Douglas-Home was the most arrogant man he had ever met. Sir Alec's own bitterness toward Mr. MacLeod is barely hidden between the lines of his autobiography. The bitterness between Mr. MacLeod and Mr. Powell as they subsequently parted ways after having acted together was a new factor.

It was not that Sir Alec was a bad Prime Minister. By general consent, and under the circumstances, he did rather well. Yet when—by the narrowest of margins—the Tories lost the general election in 1964, all the old feelings that had been partially suppressed after Sir Alec's appointment came out again. It was felt that he was not the right man for the job and that he would not have been selected if the Party had had more time and more privacy in which to make the choice.

Indeed Sir Alec himself has written that he was unprepared for the task. Anyway, the display of naked ambition and rivalries that came to the fore at Blackpool in 1963 could never be completely covered up. Tories were not supposed to behave like that. Once they had done so, it would never be quite forgotten. It was as if a sense of legitimacy had been lost.

The result was that Sir Alec departed before his time. But equally Mr. Heath was elected to succeed him before he was ready. There was no particular need for the Tories to have a new leader in 1965 except that it was felt that they had made the wrong choice in 1963. Sir Alec—it is again clear from his book—held no special brief for Mr. Heath, and in the normal run of events Mr. Heath might not have been expected to go for the succession until towards the 1970s by which time he might have developed into less impulsive a figure, and one plainly ahead of his rivals. If he had not the succession would well naturally have gone elsewhere.

In the event, Mr. Heath's election solved nothing. Between 1965 and 1970 the Conservative Party went through the same sort of periodic doubts about the leadership, about policies, and about its general direction as it has been doing since the election of Mrs. Thatcher. The respite should have come when Mr. Heath unexpectedly became Prime Minister in 1970, but in so far as it did, it lasted only as long as his premiership. In 1975 Mr. Heath was deposed quite as unceremoniously as he had deposed Sir Alec, and by a woman of startling Heath-like qualities.

True, both Mr. Heath and Mrs Thatcher were elected by ballot rather than emerging through the customary processes of consultation, but the Tory Party does not necessarily think that that is the best way of doing it. It is quite capable of regretting its own choices almost immediately afterwards. What it harks back to is something like the laying on of hands. Thus in the late 1970s, as in the late 1960s, whenever anything goes wrong, the leadership is questioned and thoughts go back to that moment in 1963 when somehow the laying on of hands failed to take place.

You can see the consequences of the events of 1963 to this day. Mr. MacLeod is dead and no one of his kind has emerged to take his place. Mr. Maudling—another of the then candidates for the succession—has faded into political limbo. Mr. Butler and Sir Edward Boyle—both now ennobled—went away to academic life. Mr. Powell stalks the House of Commons and the country, and shows no sign of stalling. So nowadays does Mr. Heath. Both of these figures are a formidable, even *hair-raising* presence for any leader of the Conservative Party to live with, especially in opposition.

There was a particular instance towards the end of the debate on the Queen's speech in the House last wek. Mr. Healey had been at his destructive best, partially defending his own U-turns in economic policy, but mainly just attacking the Tories. Then Mr. Powell rose. Mr. Powell explained at some length the fallacies behind the Government's approach to pay bargaining, but went on to say that he disliked the Tory approach even more. The point with which he had most fun was the distinction between a norm for pay increases and an average. An average, said Mr. Powell, was calculable *ex post facto*. Therefore it was a nonsense for the Tories to say that it could be put forward in advance.

As a matter of fact, the West Germans have no difficulty in putting forward a figure for what they think the economy can bear in the way of pay settlements and refusing to say whether it is a norm, an average, or a forecast. It also seems to stick.

What, in those circumstances, is Mrs. Thatcher to do? Well, there is a number of possibilities like dropping the Praetorian Guard which, some Tory MPs say, now consists mainly of Mr. Norman Tebbitt and Mr. George Gardiner, and consulting some wiser members of the Shadow Cabinet instead She might even try again to talk to Mr. Heath and even (why not?) Mr. Powell. Alternatively, she might just sit back and wait in the hope that the Government will lose the general election when it comes, regardless of what the Tories do. That, of course, is the best bet, but it does not preclude the other possibilities.

Meanwhile, Mrs. Thatcher has reshuffled her shadows in a way that does not exactly pander to the Tory right. At the beginning of the week, the thought was that while Mr. Francis Pym would certainly be confirmed as shadow Foreign Secretary, he might be replaced as shadow Leader of the House by Mr. Angus Maude. Mr. Maude has some admirable qualities, not *the least of which is literacy*, but he is not well known as a constitutional reformer. The appointment of Mr. Norman St. John-Stevas—the authority on Bagehot—to succeed Mr. Pym thus suggests that the battle for reform has not yet been lost, even though Mrs. Thatcher herself has still to be converted.

It remains, however, that Mrs. Thatcher is not entirely her own master. She leads, if that is the word for it, an uneasy party, still unsettled by the hitch in the succession in 1963. It is not her fault, and there is obviously no way of having the 1963 decision reversed. But there is no way either of having it obliterated from the party memory—except by success. That would amount to establishing another Papacy. Perhaps the only real consolation is that suggested at the beginning: internal dissensions have not prevented the Labour Party from achieving office, so why should they prevent the Conservatives?

Malcolm Rutherford

A pensive looking Harold Macmillan in 1963 with Lord Home, as he then was, his Foreign Secretary and soon to be his successor at 10, Downing Street.

Letters to the Editor

Farming incomes

From the European Director, AGRA Europe

Sir,—Mr. Michael Strauss (November 15) is quite right: EEC farmers, that is all 4.5m of them, do not earn three times the average national wage—they earn far less.

The point which we are making in our report is that farmers of only average efficiency—those in the above 50 hectare category—are earning three times the national average wage in the important product categories of dairy products, cereals and sugar.

If these only very average performers can thrive on current EEC price levels, then the larger and more efficient farmers, who are increasingly taking over a larger proportion of Europe's land, must be profiting even more.

We do not accept Mr. Strauss's charge that the data we used was "unrepresentative." It is the same data which the EEC Commission itself uses in its annual price-fixing calculations.

Our conclusions are in any case reinforced by further data based on a wider sample, due to be published by the Commission during the next few weeks. They are also supported by "representative gross margin" data published in the official journal of the EEC in June of this year.

We accept, however, Mr. Strauss's figures on the profit margins of the average British farmer; provided that he accepts that they are substantially less than those being earned on the Continent.

Indeed, he emphasises the main argument of our report: that current price levels in the main agricultural producing countries of the Community are so high that an annual cut in real prices of around 2 per cent to 3 per cent will do nothing to stem increases in the output of dairy products, sugar and cereals this side of 1985.

Efficient British farmers are making reasonable return on "tenant's capital." Efficient European farmers are making excess profits of 20 per cent to 30 per cent (above normal returns on capital). And this, approximately, is the difference between British and Continental prices afforded by the Green pound.

Brian Gardner.
AGRA Europe, 216 Rue Stevin, 1040 Brussels.

Transferring pensions

From Mr. D. Prescott

Sir,—Mr. Shaw (November 10) notes the simple case of Company A and Company B swapping employees of similar salaries, ages and past service and asks whether it is fair that these employees should lose pension because of the swap. If Mr. Shaw investigates cases where two or more employers do exchange employees on a regular basis then he will find that many do have equitable transfer arrangements for their pension schemes. The civil service is a good example with its transfer club. Unfortunately, most transfers do not fall within this "swap" situation and therefore trustees and their advisors must treat each case individually with a view to be fair to all members.

The simple reason why transferees generally get a raw deal is that trustees do not usually have enough money available to provide a transfer value which will secure a pension based on whatever it is assumed that individual's final salary will be, without allocating a disproportionate share of the fund, and that would be "unfair" on those who remain in the fund. The receiving fund is in the same boat and cannot grant a transferee a full pension on an earlier period of service without a disproportionate allocation of assets to the detriment of the other members of that fund. If anyone wants a simple answer to the transfer problem it is—give all trustees bottomless pots of money!

In the real world, however, especially in the private sector, there is a limit to how much is available for pensions and while that persists, employers have to decide whether to spend it on those who remain with them or those who leave. In most cases there is no contest.

Hopefully our economy will allow the continual improvement of pension schemes both for those who stay and those who leave. It will, however, be a long time, I suspect, before the benefits provided for members who remain in service are at a level where employers feel justified in spending enough money to dramatically improve the lot for those who leave. Legislation could speed things up but there are many, wider issues to be considered before that. The Occupational Pensions Board is currently investigating this problem and perhaps we should all wait to see what their report says.

I am sorry Mr. Shaw, there is no simple answer We are dealing with money and attitudes and there is too little of one and too much of the other, whereas they are needed the other way round.

D. A. R. Prescott.
Braemar,
St. David's Close,
Farnborough, Hants.

Investment bonds

From Mr. J. Todd.

Sir,—Tax planning and the most appropriate means of achieving its aims is by its very nature a highly personal business. In practice, it often involves taking a financial x-ray of an individual to obtain the correct diagnosis for a severe bout of high taxation. It is seldom wise, therefore, to be too doctrinaire about the demerits or otherwise of recommending a particular investment. In the circumstances, when Mr. Griffiths (Oct. 28) stated that higher rate taxpayers should approach the investment bond with the utmost caution, he was perhaps being too rigid, without advancing any alternative.

With the passing of this year's Finance Bill, the substantial capital gains tax concessions applicable to a direct purchase of unit trusts have created a climate where it is generally in the best interests of an investor, irrespective of his personal tax position, to buy units rather than bonds for capital growth. Indeed, if the person is a high tax payer and he intends to pursue an active dealing policy then it would be even more advantageous to invest in units.

At retirement, however, the position is somewhat different. The high tax payer will wish to reduce the tax burden as far as possible so that he may enjoy life to the full. The prospect of converting heavily taxed dividends into tax-deferred income will naturally appeal to him. Outside of the application of certain gilt-edged securities, the only effective means of achieving this is by an investment in an investment (or single premium) bond, preferably one which is linked to a high income unit trust in order that the 5 per cent per annum withdrawals can effectively be taken from net income. The rules governing the 5 per cent per annum withdrawals are sufficiently flexible to realise that, in the great majority of instances, the tax charge will be deferred until death, when it will become a charge against the estate for capital transfer tax.

The disparity between tax on income and tax on capital to which Mr. Griffiths refers will be of little relevance here, as a retired person would be ill-advised to commit a sizeable proportion of capital to unit trusts with low yields with the hope of securing tax-free gains from year to year. As there can be no absolute guarantee that such gains will materialise in any one year, it would be foolish in my view to recommend that a person should supplement his retirement income in this way.

Finally, a point worth remembering on the investment bond is that in many cases it is preferable to effect the bond in the joint names of husband and wife. In doing so, any tax charge will be delayed until the death of the survivor.

John Todd.
4th Floor,
Castle Chambers,
Castle Street,
Liverpool.

Regional accents

From Mr. S. Ashley.

Sir,—How intolerable was Mr. Faulkner's letter of November 1. In agreeing with Lord Snow that we would be better off without regional accents, he is being very short sighted.

The enormous variety that is displayed in the UK's accents, colours, faces, attitudes, etc., is one of its great glories. It is also a variety that cannot be escaped whether one is listening to the radio or walking down Waterloo Station—and thank goodness, for variety breeds tolerance.

I suggest to both Mr. Faulkner and to Lord Snow that next time they hear the tortured vowel sounds of a Geordie emanating from the radio they think on the 1,000 years of history that created those sounds; or perhaps they could profitably imagine the clash between the plummy voice of an Eton and Oxford banker and the hardnosed practical sounds of a black country artisan out to exploit each other's inherited talents.

Would this country really be better off if the banker and the artisan both spoke with the flatness of BBC standard English? Of course not.

S. Ashley.
3, Princes Road,
Wimbledon, SW19.

Obstructive metrication

From the President and Secretary, Scottish Housewives' Association.

Sir,—It would be difficult to deduce from your remarks on the Metrication Board Report (November 3) that metrication is now, officially, voluntary. That is the ruling of Parliament and it means that there is to be no coercion.

Why then should there still exist a Metrication Board with its expensive offices in Kingsway, London, its salaries and advertising paid for out of taxes, whose function is to coerce people?

The propaganda emanating from this "Quango" has been exposed in your correspondence columns in the past, but still its false claims are quoted far and wide — in the very best and most reputable Press — without restraint.

We see the Metrication Board clinging to the farcical claim that Britain's "competitive strength in world markets" is affected by the British using British measures in its domestic market. There is no foundation in fact for such an idea: counter-evidence abounds to disprove it.

The criteria that hold for trading are simple: providing the goods that are wanted at the time they are wanted and at the price they are wanted. The Metrication Board by its activities obstructs these criteria for the British shopper; its demise would be welcome.

Margaret Needham.
Elizabeth Main.
Drumgray, Edrom, Duns.

Above average intelligence

From Mr. C. Underhill

Sir,—I was interested by the letter from Mr. Lisney (November 9) because I have recently been subjected to the opposite argument, i.e., that there will be growing unemployment because of a proliferation of low-level "production-line" jobs at the same time as the general level of attainment in the population is rising. Yet Mr. Edwardes' comments on the shortage of good engineers in BL lends support to Mr. Lisney.

I wonder if there is not something in both arguments. Could it be that in fact the level of intelligence in the general population remains normally distributed with the average near to where it always has been, but that the curve of "intelligence related to jobs" is becoming, or has become, double-humped, with one peak at the lower end and a second at the top end but a trough in the middle? If this is so, it would imply a large number of the averagely intelligent faced with the options of tackling a job too demanding for them, so running head-on into the "Peter Principle," or accepting a lower level job than they are really fitted for and becoming easily bored, discontented and demotivated.

C. W. Underhill.
16, Eden Bank,
Ambergate, Derbyshire.

The market in steel tubes

From the General Manager, GKN Steelstock, Macnaps Division

Sir,—The letter from Mr. Schumann (Nov. 14) concerning the supply of steel tubing from British Steel Corporation raises the objections which steel stockholders have been fighting against for many years.

It is not surprising that material is not available off the shelf direct from the steel mill when the BSC is geared to large volume manufacture and not to holding large stocks of finished tube at its works. The rapid growth in steel stockholding has been in part due to the need to bridge the gap between the manufacturers who need to produce in volume and the user who wants much smaller quantities.

It is not always true either that one pays a premium for steel tube purchased from a stockist. Small quantities are often the same price or even cheaper from a stockist than from the mill. Mr. Schumann states that his building programme has been delayed by six weeks due to the extended mill delivery which must have increased the real cost of his steel considerably.

Distribution through stockists is as important in the steel industry as in any other field, and the steel stockholder does provide a very necessary service to the steel user.

G. Mather.
P.O Box 14, 48-50, West Street,
Middlesbrough, Cleveland.

Today's Events

GENERAL

Ford management and unions resume pay negotiations.

Retail prices index for October.

EEC/OECD officials discuss extending EEC code of conduct for companies operating in South Africa to OECD members.

Mr. Edward Heath speaks at Bow Group jubilee dinner, Grand Hotel, Birmingham.

Statement from President Eanes of Portugal at end of state visit.

EEC Budget Council meets in Brussels.

Prime Minister Guilio Andreotti *of Italy talks to Jordanian* Government in Amman.

Mr. David Steel at Liberal Students' Union conference, Imperial College, London.

Last day of European Parliament meeting in Strasbourg.

Mr. Peter Shore, Environment Secretary, speaks at Hemel Hempstead Labour Party.

Dr. David Owen, Foreign Secretary, attends annual dinner of Neath Labour Party.

King Juan Carlos leaves for tour of Mexico, Peru and Argentina.

Financial Times' conference on "Business in Mexico," in Mexico City, ends.

Times management and NGA *leaders meet to discuss introduction* of new technology.

Mass meeting at AEC, Southall (part of BL), to discuss resistance to factory closure.

Statement from civil air transport employers on pay claim.

Sime Darby annual meeting, Kuala Lumpur.

Sir Kenneth Cork, Lord Mayor of London, lunches with Master Mariners' Company aboard HQS Wellington, and dines with Coopers' Company at Mansion House.

OFFICIAL STATISTICS

Preliminary estimate of gross domestic product based on output data (third quarter).

PARLIAMENTARY BUSINESS

House of Commons: Debate on the report of the Royal Commission on Civil Liability and Compensation for Personal Injury.

COMPANY RESULTS

Final dividends: Radley Fashion Group. **Interim dividends:** FDA Construction Group: F. H. Lloyd Holdings: Wedgwood. **Interim figures:** Eucalyptus Pulp Mills.

COMPANY MEETINGS

Brown Bros. Corporation, Great Eastern Hotel, EC, 11.30; Banks (S. C.), Garden House Hotel, Cambridge, 12; Fairview Estates, Winchester House, 100, Old Broad Street, EC, 10.30; HTV, TV Centre, Cardiff, 12.30; Kent (M. P.), The Towers, St. Stephen's Road, Beacon Hill, Bath, 12; Mucklow (A. J.), Chamber of Commerce, *Edgbaston, Birmingham, 10.30*; Sandhurst Marketing, Spindle Way, Crawley, Sussex, 10.30; Startrite, Great Danes Hotel, Ashford Road, Hollingbourne, Kent, 11.45.

COMPANY NEWS

Provisions hit R. Dutch Shell in third quarter

Net income of the Royal Dutch/Shell group of companies for the third quarter of 1978 amounted to £272m against £329m in the same period last year to give a total down from £1.05bn to £668m for the first nine months.

The third quarter result benefited from net currency translation gains on stocks sold and on monetary items of £20m (£12m) but the nine months' figure was after currency losses of £132m against an £85m deficit last year.

The directors say results of the third quarter were also affected by additional tax charges arising from adjustments to deferred tax provisions, and by an increase in the provision by a group company for its share of nuclear losses in General Atomic Company due to further delays at the Fort St. Vrain plant in Colorado, U.S.

In addition to the factors mentioned for this quarter, the fall in net income for first nine months 1978 as against 1977 was primarily due to the consequences of the FIFO method of stock valuation used by most Shell companies, which were particularly marked following the OPEC crude oil price increase in January, 1977.

However, during the first nine months, results benefited from an improving trend in the oil trading environment, the directors add.

Sales proceeds less sales taxes, excise duties and similar levies in the third quarter were £5.58bn (£5.55bn) giving £16.82bn against £16.99bn for nine months.

Net income per Shell Transport 25p share at nine months amounted to 43.6p (71.84p) and for Royal Dutch, NFl 12.83 per share (NFl 20.84).

Capital expenditure came to £1.56bn (£1.62bn) with £636m (£609m) in Europe and £579m (£652m) in the U.S. New borrowings (less repayments) stood at £95m (£412m) and there was a surplus of £68m on currency translation effects against a £55m loss in the nine months last year.

	Nine months 1978 £m	1977 £m
Revenues—		
Sales proceeds	21,394	21,276
Sales taxes, duties, etc.	4,579	4,387
[illegible]	16,815	16,999
Other revenues	473	435
Share of associates	201	[illegible]
Interest income	170	179
Costs and expenses—		
Purchases and operating	12,435	12,317
Selling, gen. admin.	1,927	1,718
Exploration	256	296
Research and dev.	131	124
[illegible]	491	449
[illegible]	244	221
Taxes on income	1,369	1,591
[illegible]	112	135
[illegible]	16,991	16,847
Net income	668	1,053

Crude oil supply was 4.39m (4.81m) barrels daily; crude oil processed 4.19m (4.29m); oil sales 5.26m (5.27m); natural gas sales 6.32m (6.33m) cu ft daily and chemical sales proceeds £1.87m (£1.84m).

Shell Oil Company in the U.S. and Shell Canada reported a 19 per cent and 2 per cent improvement respectively in their dollar earnings for third quarter of 1978 compared with 1977.

Shell Oil Company attributed the earnings gain to increased revenues from refined products and natural gas, with both volumes and prices improved over the same period a year ago.

Excluding Shell Oil and Shell Canada, sales volumes of oil products increased by 3 per cent over the third quarter of 1977 while sales volumes of gas declined due to lower sales of UK and Netherlands gas.

Although oil trading conditions have continued to improve throughout 1978, with group companies benefiting from selling more high-value white products, earnings in some countries remain unsatisfactory in relation to the investment involved.

Chemicals sales volumes were 10 per cent higher than in the third quarter of 1977. However, the general business environment for chemicals remains disappointing with most products in a surplus position and a consequent pressure on prices.

Present indications are that this situation will not improve in the near future, the directors state.

World-wide capital expenditure, both for the third quarter and the first nine months 1978, was less than in 1977, mainly reflecting lower expenditure on chemicals manufacturing facilities in North America and the influence of the fall in the value of the U.S. and Canadian dollars against sterling.

Capital expenditure on oil production facilities remains at a high level in both North America and Europe.

Long-term debt was £3.334m, marginally down during the quarter, and cash and short-term securities £2.510m, at September 30, 1978.

See Lex

Discount policy lifts profit at Kwik Save in tough year

GROWTH IN profit now reported by Kwik Save Group for 1977-78 is confirmation that a policy of permanent discounts on all lines will continue to produce benefits to customers and shareholders alike, the directors state.

For the year to September 2, 1978, taxable profit advanced from £8,610,000 to £9,701,000 with £5,288,000 against £4,801,000 coming in the second half. Sales during the 53 weeks in which competitive conditions prevailing in the retail food trade tested the group's trading philosophy, were up at £152.29m, compared with £192.89m last time.

Current trading is running at a satisfactory level and taking into account the eventual benefits of the full integration of the Cee n Cee Stores into the group, the Board looks forward to the future with confidence.

With the tax charge up from £1,337,000 to £4,604,000 net profit is lower at £5,097,000 (£7,273,000) leaving earnings per 10p share at 7.79p (11.69p). No provision has been made for deferred tax and the whole £6.3m provision from previous years has been released to reserves and comparatives restated. Had a full corporation tax charge been made earnings would have shown improvements from 6.54p to 7.04p.

In line with the midway forecast of a final of not less than 1.6p net, the total dividend is stepped up to 2.639Sp (2.2048p equivalent) with a 1.6398p final on capital increased by scrip and rights issue.

Profit at the trading level was up from £7,314,000 to £8,018,000. In addition, concessionaire rentals produced £1,477,000 (£1,170,000), and interest received was higher at £206,000 (£126,000).

Dividends cost £1,753,000 (£1,355,000) leaving a retained balance of £3,344,000 (£5,918,000).

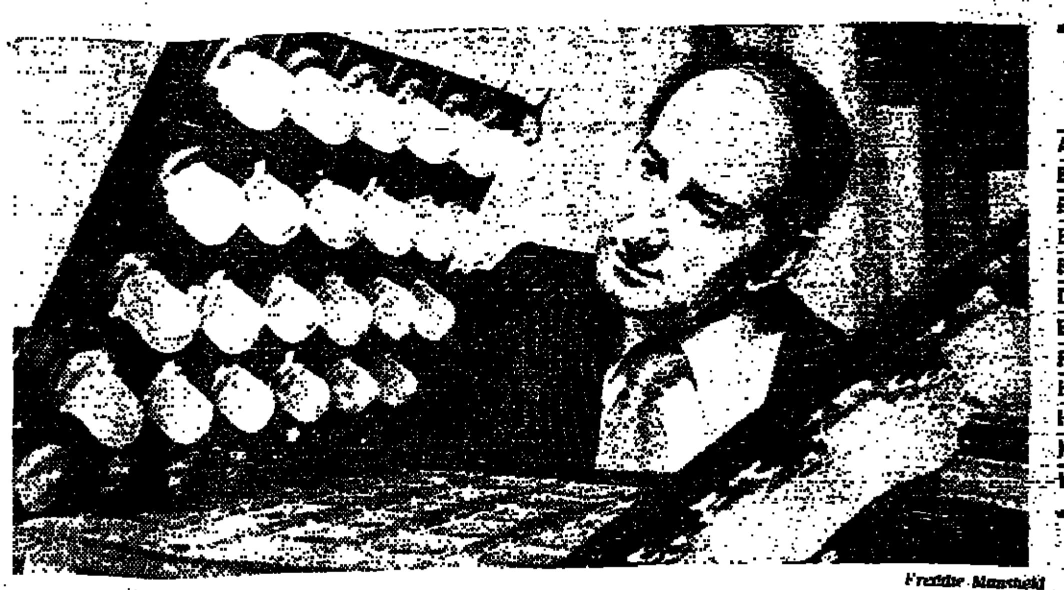
● comment

Kwik Save's full-year figures confirm the sharp slimming-down of margins shown at the interim stage. Sales are up 21 per cent in the second half (around half of this may stem from enlarged trading space) but trading profits rose only 5 per cent, giving margins of 4.3 per cent against almost 5 per cent a year earlier. Price cutting by supermarkets has reduced Kwik Save's once considerable competitive advantage and it has not had the benefit of a nonfood sector to cushion the blow. But expansion continues at a hectic pace: in 1978-79 it plans to build 30 new stores, which together with the acquisition of Cee N Cee will give it around 250 outlets next August against 156 in August, 1978, and 124 a year earlier. If present margins can be held the group could make over £12m pre-tax this year, with the Cee N Cee stores not making a substantial contribution until 1979-1980. But long-term reservations exist about whether Kwik Save's retailing formula will show durable success, and the shares fell 5p to 82p, where they yield 4.9 per cent and trade on a fully taxed multiple of 11.4.

BLAND PAYNE

Mr. Nicholas Samuelson, managing director of Bland Payne (UK), insurance broker, a subsidiary of the Bland Payne group, is leaving the company to become a director of Jardine Matheson Insurance Brokers, and chairman of its UK and life and pensions company.

Commenting on the move Bland Payne said yesterday that "he left on the most friendly of terms."



Freddie Mansfield

Mr. Michael Montague, chairman of the Valor group, best known for its gas heaters and cookers, inspects part of a consignment of gas mantles bound for installation in the new computerised Frankfurt and Cologne, street gas lighting systems, which make use of "flare off" gas. The Chiswick factory produces 750,000 mantles each week. (Interim results Page 29).

U.S. recovery helps Royal to £112m at nine months

A SUCCESSFUL underwriting experience in the third quarter resulted in pre-tax profits of Royal Insurance Company advancing by 7.7 per cent at the nine month stage to £112.4m compared with £104.3m in the same 1977 period. Premiums written showed only a marginal increase over the period frfom £935.6m to £941.4m. But this level was affected by changes in exchange rates, the underlying real growth being 8.6 per cent.

Underwriting in the third quarter showed a profit on worldwide business of £9.8m bring the total profit over the period to £19.2m—£1.4m above that for 1977. At the six month stage, the underwriting profits were behind, those of 1977 due to a poor first quarter because of the impact of severe weather. These losses have now been more than offset. Exchange rate changes have depressed the underwriting profit by £2m.

There was a significantly better underwriting result in the U.S., with all major lines contributing to a turnround from a loss of £8.8m last year to a profit of £2.5m so far this year, with the third quarter showing a £1.6m profit. The property classes, accounting for over 40 per cent of U.S. business, continued to achieve increased profits, while losses were reduced in automobile, liability and workers compensation. Premium growth in the U.S. is running at the rate of 11 per cent a year.

An underwriting profit of £8.6m was achieved in Canada against £13.0m last year, the drop in profits reflecting generally increasing competition and in particular an increase in claims frequency for personal automobile business. No provision has been made for any refunds under the Anti-Inflation regulations.

Overall, underwriting profit in the UK over the nine months amounted to £7.7m—well down on last year's corresponding figure of £12.9m. But it represents a significant recovery from the losses incurred in the first quarter owing to severe winter weather and large fire losses. The company paid out £5m in storm claims. The householder account is showing a marginal loss over the period, but the company is now operating on an index-linked only basis for householder contracts and is already experiencing steady growth in premiums. The personal motor accounts incurred a marginal loss with claims frequencies 4 per cent higher. But the company, so far, has only had one month's benefit from the 7 per cent premium rate increase made on September 1.

In Australia, there was a small underwriting loss of £0.4m compared with a profit of £0.7m last year. The satisfactory experience in motor and workers compensation was offset by a continuing decline in householders account. Market conditions remain difficult and the company has experienced some loss of business. But the company reaffirms its determination not to accept business at clearly uneconomic rates.

Underwriting losses in Europe were slightly reduced from £2.6m to £2.0m. There was a dramatic improvement in the Netherlands with the loss being cut from £3.4m to £1.4m. But this was largely offset by deterioration in Germany and Spain.

Investment income improved by £6m to £88.6m, but this advance was held back by changes in exchange rates. The underlying growth was 15.4 per cent, slightly lower than at the six-month stage. Profit after tax at the nine-month stage showed a 3 per cent rise from £64.6m to £66.7m—equal to 44.4p (43.0p) per unit.

● comment

Like the other major insurance companies reporting this week, Royal has produced a very satisfactory set of third quarter profit figures, which point to profits of nearly £150m pre-tax for the year. That would represent a rise of about 15 per cent. Progress next year will probably be more modest, but—unlike some—Royal is expecting its U.S. underwriting profit to hold up well, with the help of its growing property account. The UK side is also doing well after a storm-hit first quarter. At 348p, the prospective yield is around 8 per cent, covered roughly 3 times by likely 1978 earnings.

Reduction in shipping profit leaves B & C £2.4m off

AS ANTICIPATED the increased contributions from non-shipping activities at British and Commonwealth Shipping Company have been insufficient to offset the severe reduction in profit earned from shipping operations and pre-tax profits for the first half of 1978 show a £2.4m decline at £13.27m.

Present indications suggest that, although there will be a further decline in results of the remaining shipping activity, pre-tax profits for the second half will approximate those of the first. This would give a figure of around £26.54m, compared with £29.31m.

These indications do not take into account a loss arising in an associate company upon the conversion of substantial foreign currency loans into sterling, the group's share of which amounts to £1.8m.

The net interim dividend is lifted from 4.25p to 4.75p on stated earnings of 16.2p (19.7p) per 50p share. For the last full year a total 9.33347p was paid.

Notwithstanding the increased investment in Overseas Containers, the share of associates profits shows a marginal reduction at the halfway stage. The increase in financing charges has been brought about principally by further investment in fixed assets.

An analysis of operating profit for the half year shows (£000): shipping 96 (4,218); air transport and helicopter operations 4,777 (3,720); aviation support services 1,127 (935); leisure industry 43 (36); office equipment 1,402 (707); other activities 1,630 (1,375).

Realised currency loan losses are shown to be down from £655,000 to £365,000.

Caledonia Investments

For the six months to September 30, 1978, Caledonia Investments, whose principal investment is its 49 per cent interest in B and C, reports an increase in pre-tax profits from £1.58m to £1.74m.

The directors forecast that full-year profits will show a 10 per cent advance on last year's £3.16m.

Earnings per 25p share are shown to have risen from 5.19p to 5.98p and the net interim dividend is stepped up from 3.75p to 4.125p. The total payment for last year was 8.50141p.

● comment

Despite its name British and Commonwealth Shipping does not have all that much to do directly with shipping these days. Its diversification into everything from helicopters to luxury hotels and office equipment has insulated it remarkably well from the ravages of the world shipping recession. At the halfway stage pre-tax profits are 15 per cent lower. Shipping profits have dropped from £4.2m to virtually nothing (there will probably be a loss this year) but this has to a large extent been offset by a £2.3m improvement in the non-shipping activities. In the first six months of the year just under half B and C's profits came from the air transport and aviation support services and another 23 per cent from a hotchpotch of other activities. B and C's shipping interests (apart from Safmarine) are now largely concentrated in OCL. Which had a rotten first half. But for the year as a whole OCL should make around £35m and with B and C taking in a fifth of these profits its own pre-tax profits for the full year will probably be marginally down on last year's £29.3m. At 291p the shares yield 5 per cent.

Godfrey Davis makes first-half headway

INCLUDING exchange profits of £82,000 compared with losses of £74,000, pre-tax profits of Godfrey Davis, car hire specialist and Ford main dealer, improved from £2.55m to £3.22m in the six months to September 30, 1978. Turnover for the period rose from £40m to £48.9m.

Adjusted to reflect the reduction in ACT and to reduce disparity with the final, the net interim dividend is raised from 0.77p to 1.2p on stated earnings of 13.1p (9.6p) per 25p share. Last year's total dividend was 3.305171p from profits of £3.7m.

● comment

Godfrey Davis' 20 per cent jump in pre-tax profits before exchange items is well up to expectations thanks to the buoyancy of its Ford dealerships and continued growth from its hire interests. The one difficulty the company experienced was on leasing where customers' requirements could not always be met because of difficulties in getting enough Ford cars and commercial vehicles. So far so good, but the second half could take a nasty hammering from the Ford strike. The first operations to be hit were leasing and contract hire. A number of vehicles due to be replaced are still in operation and in some cases will still be there by the end of the financial year, even if Fords went back next week. This means that maintenance costs increase, and more important there will not be so much profit on sales of vehicles to come into the p and l account. Of course the dealerships suffer but with a lot of imported Fords waiting to fill the pipeline as soon as the strike is over GD could make up some lost ground in the final quarter. Even so the company is warning that profits for the year might not be much better than last time. At 92p the shares could come under some pressure. The yield is 6 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Cumulus Investment	0.82	Jan. 2	0.8	0.82	0.8
Cons. Company Bultfontein Mine	5.5††	Feb. 2	—	—	—
Griqualand West	25††	Feb. 2	—	—	—
Hartley Industrial	**1	—	1	1	1
Witan Inv. ......int.	1.2	Feb. 1	1	—	2.3
Scot. Cities Trust	8.5	Dec. 30	5.75	8.75	8
Scottish and Mercantile	2.37	Dec. 21	2.01	3.37	3.01
P. Panto ......int.	0.8	Jan. 8	0.77	—	1.54
Northern American Tst.	2.05	Jan. 5	1.85	3.05	2.85
Long and Hambly	1.16	Jan. 3	1.04	1.61	1.44
LWT (Holdings)	5.73	Dec. 15	3.34	9.28	6.19
Braby Leslie ......int.	2	Jan. 12	1.67*	—	4.38*¶
J. W. Spear ......int.	0.7	Dec. 29	0.64	—	1.97§
Caladonia Invs. ......int.	4.13	Jan. 10	3.75	—	8.5
B and C Shipping ......int.	4.75	Jan. 9	4.25	—	9.33
Morland	8.91	—	7.45	14.41	12.45
Godfrey Davis ......int.‖	1.2	Jan. 3	0.77	—	3.31
Kwik Save	1.64	Jan. 15	1.45*†	2.64	2.2*†
Valor ......int.	0.77	Jan. 26	0.7	—	2.14

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Third interim of 0.029p now declared for 1977-78. § Additional 0.0187p for 1977. ¶ Additional 0.041p for 1977-78. ‖ Includes adjustment for change in ACT and is to reduce disparity with final. ** Gross throughout. †† South African cents gross throughout.

INDEX TO COMPANY HIGHLIGHTS

Sebag resigns from St. Piran

BY JAMES BARTHOLOMEW

Joseph Sebag and Co., the prominent London stockbrokers, have resigned as brokers and financial advisers to Saint Piran, the controversial mining and construction group.

The brokers would make no comment yesterday, but it is well known that they have been dissatisfied with their position for many weeks. They requested that new directors approved by them should be appointed to the Board to replace others who have resigned.

The Board consisted of only three men, two of whom were often abroad, until the appointment last week of Mr. William Allen as a non-executive director. He was appointed without consultation with Sebag.

"I very much regret Sebag's resignation," said Mr. Robert Morrison, chairman of Planned Savings and the main spokesman for minority shareholders who have also been pressing for boardroom changes.

"Their conduct in this matter has been absolutely correct and I hope they will continue to keep open a channel between the company and its shareholders despite their resignation."

The minority shareholders are actively considering what action they can take. Some of them have challenged the validity of certain aspects of the AGM and believe that the company must reply to at least some of their complaints within 10 days. They are reluctant to call an EGM or request an official inquiry, but these are being contemplated as a last resort.

The Saint Piran Board has been reluctant to comment throughout, and yesterday no director was available to comment.

LWT at peak—more programme spending

AS WARNED in March, taxable profit at LWT (Holdings) slowed down in the second half of the year to July 23, 1978, after a jump from £5.49m to £7.55m in profit before Exchequer levy at midway. Despite this the full-time total was up from £11.54m to a record £13.45m before a levy of £6.93m, against £6.02m, on turnover up £9.12m at £40.57m.

Now, a third the way through the current year the group, whose interests include TV programme contracting, property investment, electronic equipment manufacture and film production, is on target. Even so, given the continuing rise in spending on television programmes, which reflects a necessary investment in the future, Mr. John Freeman, the chairman, does not expect a significant further advance in overall profitability.

The tax charge for the year was up from £2.95m to £3.14m making net profit £3.37m (£2.57m) for earnings per 25p share of 20.87p (15.80p). A net final dividend of 5.727p effectively raises the total to 9.282p (6.19p).

Retained earnings emerged at £1.87m, compared with £1.57m last time.

● comment

Profits growth at LWT has slowed right down to just 11 per cent in the second half. But this was not unexpected as LWT has already warned that programme expenditure was building up at a time when advertising revenue was slowing down. Overall pre-tax profits for the year £1m up at £6.5m are in line with City expectations, though the jump in the final dividend is a bit better than had been hoped—this is the company's last chance to take advantage of freedom from dividend restraint. At 141p the yield is now 10.2 per cent and the p/e is 6.5. LWT's major productions during last year were "Lillie," "Lydia" and "The Professionals." All have good potential for overseas sales the profits from which are free from the levy, while the company can also offset the production costs. Also with the IBA taking a hard look at the companies as the time for the new franchises draws nearer most contractors want to be seen ploughing money back into programmes. So the recent profits slowdown is not alarming and since the year end advertising revenue has picked up again and the Hutchinson acquisition will make a first time contribution. There is still around £6m of cash in the balance sheet.

Firm date imminent for Swan hand-out

WITHIN THE next three days or so shareholders of Swan Hunter will be told when they can expect the cash handout planned under the company's capital reconstruction scheme.

The Board is now putting the finishing touches to the scheme, which follows nationalisation of the shipbuilding operations and the £15m compensation received from the Government.

In July the company said that it intended to include the details of the scheme in its annual report and accounts.

Yesterday it was learnt that within the next few days the company would be giving the Stock Exchange a firm date for publication of the scheme.

The basic principles of the scheme are already known. The company will go into voluntary liquidation and shareholders will be given the £15m compensation money and any surplus cash not required for Swan Hunter's remaining activities. These activities would then be continued under a new company in which Swan Hunter shareholders will receive new shares.

BECKER EXPANDS

Becker Group, the paint concern, has bought Conway Coatings in a move to expand production in the UK. Becker is a wholly owned subsidiary of A. B. Wilh. Becker of Stockholm.

Boots profits improve to £51m in first half

ANNOUNCING a 7.1 per cent advance in pre-tax profit from £47.6m to £51m in the first six months to September 30, 1978, the directors of the Boots Company say they continue to expect that satisfactory results will be achieved over the full year.

First-half sales improved by 22.8 per cent from £391.7m to £480.9m. After tax up from £24.8m to £27.2m, net profit rose from £22.8m to £23.8m.

As forecast, the net interim dividend is lifted from 1.0779p to 2.5p a share. In addition, because of the reduction in the standard rate of tax, a third interim of 0.0290p in respect of 1977/78 will be paid at the same time.

Last year's previously declared total was 3.0252p and was paid on a record pre-tax profit of £107m.

The directors report that in the UK there has been, as expected, some revival in consumer spending deriving from real increases in personal incomes, as earnings have risen faster than prices, and small reductions in personal taxation.

Retail sales have increased in the half-year by 19 per cent, half of which is a real volume increase. Gross and net margins have been maintained.

Industrial sales of pharmaceutical products show good increases at home and overseas and the recent acquisitions in the U.S. and Germany are making satisfactory progress. Margins, particularly of agrochemicals, have suffered somewhat due to difficult conditions in world markets.

	First half 1978 £m	1977 £m
Sales	480.9	391.7
Trading profit	50.1	45.0
Investment income	4.9	3.4
Interest paid	1.5	0.7
Exchange loss	1.3	0.1
Profit before tax	51.0	47.6
Tax	27.2	24.9
Net profit	23.8	22.8
Minorities	0.4	0.4
Attributable	23.4	22.4

See Lex

J. Spear down at half time

FROM LOWER sales of £2.75m against £2.94m, profits before tax of J. W. Spear and Sons fell sharply from £1.02m to £712,855 in the first six months of 1978.

The directors expect turnover in the second half to slightly exceed in value that for the second half of 1977, but profits will be somewhat lower. For the year to December 31, 1977, the group reported profits of £2.35m from turnover of £6.96m.

Turnover in the first half this year dropped by some 6.5 per cent in value due to difficult conditions in export markets and to a levelling-off in demand for some products, say the directors. The profit reduction was due to increased costs and expenses connected with the move to the new factory.

The interim dividend is raised from 0.638p to 0.7p and the directors intend to recommend payment of the maximum permitted final—last year's final was 1.2344p.

Shareholders are also receiving a supplementary of 0.0187p in respect of 1977 as a result of the reduction in the rate of ACT.

	1978 £	1977 £
	6 months	
Sales	2,746,050	2,935,660
Profit	708,234	987,160
Associate profit	4,621	30,502
Profit before tax	712,855	1,017,662
Tax	[illegible]	468,659
Net profit	[illegible]	549,003
Minorities	[illegible]	15,028
Interim dividend	[illegible]	25,765

● comment

With toy sales showing every sign of a good year, the market was taken aback by Spear's 30 per cent profits slump in the first half, and the shares slipped 27p to 103p. Although figures are not available it appears that exports, which normally account for around 42 per cent of group sales, have taken a beating in Europe while at home, margins are under pressure mainly because of retailers' overstocking last Christmas. At the heart of the problem is a disturbing trend that "educational" indoor games, in which Spear specialises, are becoming less popular. Generally, the product range is looking dated and in recent years profits growth has been achieved on the back of Scrabble, which has been enormously popular. However, this year demand for Scrabble has been much weaker, probably because of a saturated market and stiff competition from other products such as Invicta's Mastermind. If demand continues to fall off for a product that could contribute over 30 per cent of profits then there are going to be hard times ahead. After two years of declining rates of profits growth, the company now forecasts a downturn for 1978. Profits this year might only reach £1.75m—a drop of a quarter—which would give a prospective p/e of 9.2 while the yield is a mere 1.6 per cent (covered 10 times.)

Braby Leslie down at halfway and sees depressed results

PROFITS BEFORE tax of Braby Leslie, mechanical and civil engineer, were down from £1.16m to £1.04m in the half year ended September 30, 1978 on lower turnover of £15.09m against £15.42m.

The group is operating at a level in excess of 1977 but it is not expected that results for the current year will match the record £2.38m pre-tax achieved in 1977-78.

Earnings per share are shown at 6p (7p) and 4.9p (5.5p) assuming a full 52 per cent tax charge. The interim dividend is effectively raised from 1.6667p to 2p and a maximum permitted final of 2.88p is forecast against last year's equivalent 2.7083p.

Following the reduction in tax, an additional 0.0410p is also declared for 1977-78.

● comment

Last year acquisitions helped leave Braby Leslie's pre-tax profits almost three-fifths higher. But such a useful boost concealed a dull underlying trading pattern, and this is fully apparent in the interim results this time. Pre-tax profits are 10 per cent down—or 16 per cent without first time contributions from Payter and Edghill—while the company holds out little hope for improvement in the second six months. The entire profits shortfall is due to the Briggs brewery equipment subsidiary which turned in a record result last year on the back of booming brewery investment. Orders are currently harder to obtain and Braby also claims to be suffering from subsidised competition on the continent. Elsewhere, Auto Diesels has done well but, like Petbow, the company is finding the overseas generator market increasingly difficult. Braby Liverpool (drums to the chemical industry) had a quiet first half but trading has since picked up while silo orders at the Bristol plant should become more profitable when cost saving machinery is installed next year. Overall, the company can only await an upturn in demand while taking advantage of its strong balance sheet, perhaps to make further acquisitions. At 66p the shares are on a fully taxed prospective p/e of 5.6 and a yield of 11.4 per cent.

First half downturn for Alida

In the half year ended September 30, 1978, sales by Alida Packaging Group were a little behind at £4.46m, against £4.64m, and profits before tax fell £108,748 to £228,478.

The company, which recently became a subsidiary of the Rockware Group, is not declaring an interim dividend.

Because of the basis adopted in providing for deferred tax, the directors believe it would be misleading to provide for corporation tax in the half year. If tax at the full rate of 52 per cent was to be charged it would amount to £118,809 (£173,357).

Valor optimistic after 36% midway increase

ON TURNOVER up from £18.43m to £19.55m, pre-tax profit of Valor, maker of heating and cooking appliances, jumped by 36 per cent to £0.71m for the first half to September 29, 1978.

Describing the results as "cheerful," Mr. Michael Montague, chairman, anticipates that second half results will also be "pleasing."

Prospects continue to improve due to ever growing public awareness of the financial benefit of gas appliances as a reliable low cost energy source and Valor's technological competence enabling the company to increase market share, he added.

The net interim dividend is raised from 0.702p to 0.772 per 25p share. The chairman states that the measure of the final outcome of the year will influence the extent to which the directors decide to take advantage of the room the company possesses to increase the overall dividend.

Basic earnings per share are stated at 3.02p for the first half, against 3.12p last time. Fully diluted earnings are shown to be 4.73p (3.09p).

For the full year to March 31, 1978 pre-tax profits amounted to £1.65m on which dividend of 2.135p were paid.

Mr. Montague says that confidence is encouraged by the publication of official statistics indicating known UK reserves of natural gas to have risen, in the last four years up to the end of 1977, from 41.5 to 54.7 trillion cubic feet.

The demand for gas appliances, cookers and heaters, is strong, he states. "We currently have outstanding orders beyond that which we would normally expect. We are concentrating on improving profit margins where there is the first sign of a move towards a reasonable level on cookers."

Gas wall heaters, the successors to electric night storage heaters, continue to be in heavy demand. The company has launched a derivative of the low-cost gas cooker, the Vanity, with foot pedal electronic ignition to the oven.

The chairman says that within a few weeks Valor will start producing two new balanced flue radiant gas heaters. Several other completely innovative appliances have successfully completed test, an outstanding one of which will be shown to the public next spring at the Ideal Home Exhibition. These new products are intended for the 1979/80 season.

Turnover and related profits from overseas operations are consolidated at a lower sterling figure due to the change in exchange rates of the relative currencies.

Negotiations are at an advanced stage to refinance short term borrowings with a term loan from a clearing bank. At the same time some term debt will be reduced from the company's own cash generation.

	26 weeks 1978 £	1977 £
Turnover	19,552,177	18,432,141
Pre-tax profit	712,386	522,873
Tax	157,784	160,158
Net profit	554,602	362,715
Ordinary div.	75,006	70,915
Preference div.	47,446	47,468

● comment

Valor has continued to show strong profit recovery although currency movements affected the consolidation of the South Africa and Malta based subsidiaries. While both performed well, the improvements were not enough to overcome the exchange rate changes induced by the stronger pound. In the UK Valor's gas cookers and heaters had a buoyant period and sales, in both volume and value terms were well up. But margins, particularly on cookers sold through the gas board, were slow to rise, although there were signs of an improvement in margins towards the end of the first half. Offsetting the gas side to some extent are the motor trade components operations—hit by the Ford and BL disputes—and the drop forgings—slightly depressed in line with the industry—which could take the edge off the final result. But if the normal seasonal pattern of earnings is maintained the final figure will be around £2.1m. The shares rose 2p to 49p giving a prospective p/e of 3.2 (assuming the first half tax rate is maintained) and a yield of 7.3 per cent.

KITCHEN QUEEN

The Kitchen Queen offer for sale of 6.8m shares attracted 38,337 applications for a total of 205.4m shares. Thus the offer was 30 times oversubscribed and not 50 as was suggested by the early indications from the issuing brokers.

There will be a ballot for applications. Applications for 500 to 9,000 shares will ballot for 500; 10,000 to 19,000 ballot for 600 and 20,000 and over get 4 per cent.

Preferential application forms were received from employees for 681,250 shares.

BANK RETURN

	Wednesday Nov. 15 1978 £	Inc. (+) or Dec. (−) for week £
BANKING DEPARTMENT		
LIABILITIES		
Capital	14,553,000	
Public Deposits	[illegible]	[illegible]
Special Deposits	[illegible]	[illegible]
Bankers	[illegible]	[illegible]
Reserves & Other Accounts	[illegible]	[illegible]
	2,214,708,941	[illegible]
ASSETS		
Govt. Securities	[illegible]	[illegible]
Advances & Other Accounts	[illegible]	[illegible]
Premises, Equipment & other Secs.	[illegible]	[illegible]
Notes	[illegible]	[illegible]
Coin	[illegible]	[illegible]
	2,214,708,941	[illegible]
ISSUE DEPARTMENT		
LIABILITIES		
Notes Issued	8,600,000,000	
In Circulation	[illegible]	[illegible]
In Bank'g Dept.	[illegible]	[illegible]
ASSETS		
Govt. Debt	11,015,100	
Other Govt. Secs.	[illegible]	[illegible]
Other Securities	[illegible]	[illegible]
	8,600,000,000	

BIDS AND DEALS

Avon Rubber pays £1.9m for rest of Lippiatt

AVON RUBBER, the rubber and plastics group is paying £1.85m cash for the outstanding 67 per cent of Avon Lippiatt Hobbs it does not already own.

ALH carries out repair work on underground pipelines, principally for the gas industry — using systems it has developed jointly with Avon. In the year to February 28, 1978, ALH earned pre-tax profits of £393,000.

Mr. Peter Fisher Avon's managing director said that his group was already a major supplier of materials to ALH — generating sales of around £½m a year. Avon acquired its 33 per cent stake in the group in 1972.

He said that ALH—with net assets of £678,000 excluding deferred tax of £379,000 — had recently been looking overseas for orders and was currently working on pipelines in Tokyo.

ALH profits have continued to rise in the current year and unaudited figures for the first half show pre-tax profits of £¼m — compared with £150,000 for the same period last year.

By comparison Avon's first-half profits were down £100,000 at £2.4m — following last year's sharp recovery when pre-tax profits more than doubled to £5.4m.

To pay for ALH Avon is raising £1.55m as a medium-term loan from National Westminster Bank. Further payments of £250,000 apiece will be made on the anniversaries of the deal. These future payments to be met out of Avon's cash-flow.

BRENTNALL BEARD

Brentnall Beard (Holdings) has paid the additional purchase consideration of £499,475 in the vendors of Rose Thomson Young (Underwriting) as per the agreement dated August 5, 1974, which allowed for additional monies to be paid if excess profits were made. Additional consideration has been met by the issue of 167,000 ordinary shares at 30p each and the balance of £399,375 in cash.

ALEXANDER RUSSELL

Alexander Russell has acquired the capital of Welsh Block and Brick (Newport), a producer of lightweight aggregate building blocks. The acquisition will expand Russell's existing capacity for the manufacture and sale of similar products in Wales and the West Country.

The company has been acquired at the net asset value and the consideration of £123,000 was settled in cash. Although the unaudited accounts of Welsh Block for the year to May 31, 1978, showed a loss of £53,000 the company has operated at a modest profit in the five month period to date.

NORWEST HOLST'S BORROWINGS UP

Substantial changes in the pattern of Norwest Holst's borrowing are shown in a document addressed to shareholders concerning its purchase of the Robert McGregor Group.

Hire purchase borrowings had risen to £2.25m at the end of October from £1.16m in the March 31 balance sheet, while foreign currency borrowings and mortgages were up to £2.19m from £585,000.

However, the paying-off of the majority of Norwest Holst's 7 per cent convertible stock left only £275,330 outstanding against £1.87m in March, and bank overdrafts and UK mortgages were lower.

The document shows McGregor, which Norwest Holst is buying for £3m, payable in three annual instalments, from family interests, as having had net tangible assets of £3.63m at end-March 1978, in which plant and machinery counted for £3.03m and freehold land and buildings for £634,000. Net current assets amounted to £230,000 and there was a liability amounting to £266,000 for hire purchase liabilities falling due after March 31, 1979.

The McGregor group made profits of £325,000 (unaudited) on sales of £7.19m in the half-year to September 30. In the year to March 1978 it earned a pre-tax £545,000 on sales of £11.16m, against £463,000 on £8.62m in 1976-77.

REDMAN HEENAN LAND PURCHASE

Redman Heenan International has agreed to buy for £720,000 from the Drayton Corporation, the Blackpole Trading Estate on the outskirts of Worcester. The group is considering moving its Heenan Drives subsidiary to a new purpose-built plant on the site.

The estate has some 24 acres of undeveloped land — 12 acres of which is immediately available for industrial development. RHI says it has bought the site to assist its long-term development programme. In addition to the undeveloped land the estate also has 17 industrial units — totalling 45,000 square feet — all currently let.

Staflex shares suspended

PATIENCE MUST still be the watchword for shareholders of Staflex International, the textile company which has spent the year slimming down its business in order to repair its finances.

Yesterday, the shares were suspended "pending clarification of the financial effects resulting from the proposed disposal of its European marketing interests to DHJ Industries Europe SA."

At the end of August shareholders were sent a circular which outlined the package of disposals and refinancing Staflex had embarked on.

A key plank was the proposed sale to DHJ of Staflex's entire European interlining distribution network. The idea was for Staflex to retain its modern Dutch manufacturing plant which would be turned into a fabric coating factory working entirely on commission.

DHJ and Staflex agreed to an interim arrangement under which DHJ was to finance the Dutch factory in order to keep it in operation until the distribution sale was finally negotiated.

Staflex expected to sign the sale contracts early last month, but yesterday it said that the negotiations were still continuing. They were proving complex. In the light of this the Board and its advisers thought it prudent to suspend the shares.

MR. LACEY BUYS INTO B. WARDLE

Birmingham and Midland Counties Trust has lost no time in reinvesting the £1.3m it is thought to have made out of its 42 per cent stake in Weston Evans following the successful takeover by Johnson Firth Brown.

Yesterday BCMT, a private investment group owned by Mr. Graham Ferguson Lacey and Mr. Cecil McBride, announced that it had bought a 10.22 per cent stake in Bernard Wardle. Wardle manufactures vinyl coated fabrics and felts, largely used in car roofing.

BCMT was criticised by Weston Evans Board when it raised its initial 26 per cent stake to over 30 per cent thereby triggering off an automatic bid and an acrimonious tussle for the company.

Yesterday, Mr. Ferguson Lacey was careful to announce that BCMT intends "to increase its holding (in Wardle) as the opportunity arises although it is not envisaged that this investment will exceed 25 per cent." The purchase is also clearly described as being "for investment purposes."

In its last full year Wardle made profits of £1m (£770,000) on a turnover of £18.6m (£15.9m). Since then it has bought the Armoride PVC sheeting and leathercloth division of Champion Associated Weavers. Difficult trading conditions however, meant that pre-tax profits for the 28 weeks to June fell slightly to £561,000 despite higher turnover.

Over the past fortnight Wardle's share price has risen from 27p to 36½p, but following the announcement that BCMT's purchase was for investment, the price came back to 34½p yesterday.

FEB INTL.

Feb International has acquired the freehold of the factory and head office of its chemical division, Feb GT Britain, at Swinton, Manchester, from the Co-operative Insurance Society for £230,000.

The property was previously held on a long lease with 144 years unexpired and rent reviews every 14 years. The current rental was £15,000 per annum. The property has been professionally valued at £475,000.

The purchase is financed by a medium-term loan from Barclays Bank repayable in equal quarterly instalments over a 10-year period with interest at 2 per cent over Barclays base rate.

BRICOMIN INV.

The offer by Bricomin Investments for New York and Gartmore Investment Trust has been accepted in respect of 2,598,065 shares.

Bricomin now holds 97.476 per cent. The offer has been extended and remains open until further notice. The balance will be acquired compulsorily.

MINING NEWS

RTZ moly hopes checked by road permit delays

BY PAUL CHEESERIGHT

THE IMPETUS of the Rio Tinto-Zinc group's programme to prove up a potentially rich molybdenum deposit in the south east of Alaska has been checked by delays in the granting of permits to build an access road.

At present, the deposit, which is 45 miles east of Ketchikan can only be reached by helicopter, thus preventing the drilling programme from proceeding at more than a modest pace.

The property is held by the RTZ subsidiary, U.S. Borax and Chemical, which disclosed last January that there is a potential orebody in excess of 250m tons with grades ranging from 0.18 per cent to 0.25 per cent molybdenum.

An RTZ spokesman yesterday explained that all Alaska state permits for the road had been received and that further permits from the U.S. Forest Service and the Corps of Engineers are in the final stages of processing.

The Chief Forester had denied an appeal from the Sierra Club, an environmental group, against the grant of a permit, the spokesman explained. But he added that the case was being reviewed by the U.S. Secretary for Agriculture in Washington.

This review could be lengthy because it seems unlikely that there will be a final decision until the Congress has passed a contentious bill dealing with Alaska land use designations.

Such a bill was left aside when the 95th Congress went into recess last month and will therefore have to be re-introduced into the 96th Congress.

The bill is the focus of conflicting pressures. The Carter Administration's approach to the development of Alaska is much more cautious than that of industry or indeed, many state politicians.

To this extent, U.S. Borax is in the middle of a dispute, the outcome of which is uncertain and over which it has little influence. Certainly, a full evaluation of the molybdenum property cannot be made without the access road, which would be 11.5 miles long and link the property with the coast.

The outcome will be significant for the RTZ group as a whole. The eventual development of the deposit would be a valuable diversification into a market where prices have continued to rise even during the recession and whose size is likely to grow as new applications are found for what is called "the space age metal."

SEL. TRUST: A SECOND INTERIM

SELECTION TRUST, the London mining finance house, yesterday declared a second interim dividend of 5p to be paid on January 15 to shareholders registered at December 8.

The payment of this dividend, which follows a first interim also of 5p was foreshadowed in September when half-yearly figures were announced.

Two interims are being paid "to counteract any adverse effect of the change in year-end which took place last year," as the group put it.

The year-end was changed to December 31, from March 31, which meant that there was a transitional financial period of nine months last year. Over that period there was one interim dividend of 5p and a final of 9p.

Selection Trust stated yesterday that under present regulations the total distribution for the current year cannot be more than 20.844p, meaning that the permitted final cannot exceed 10.844p.

The shares were 438p yesterday.

Oakbridge now less buoyant

AUSTRALIA'S Oakbridge, coal, tin and industrial group which has moved from strength to strength in recent years with a fresh rise in net profits to A$7.84m (£4.59m) in the year to last June, has now run into difficult conditions. At yesterday's meeting in Sydney the chairman, Mr. Grahame Mapp, said that profits for the current half-year are well down on those of the comparable period of 1977.

He said profits would be affected by the new State levy on export shipments, a reduction in productivity at existing mines, the relocation into new working areas and industrial disputes and absenteeism. Mr. Mapp said the immediate outlook for coal profits was not good and this would have a significant impact on group results in the December period.

"However, it is expected that the factors causing this downturn are short term and, if this proves to be the case, results should improve in the second half," he added.

Mr. Mapp also announced that Oakbridge has reached agreement with Japan's Sumitomo Corporation in conjunction with Sumitomo Coal Mining, for them jointly to acquire a minority shareholding in Oakbridge's wholly-owned subsidiary, Lithgow Valley Colliery.

Sumitomo will acquire 15 per cent of the issued capital of Lithgow for A$4.8m, payable as to A$960,000 (20 per cent) on November 30 this year and the balance on July 1, 1979.

The purchasers will complete a feasibility study of the total mining areas, at their cost, to double the production of the Hermitage Colliery from 750,000 to 1.5m tonnes of raw coal. The proposal is subject to appropriate Government approvals. Oakbridge shares were 124p in London yesterday.

New flurry in Westfield

SHARES OF Canada's Westfield Minerals soared in London yesterday by 67p to 234p following the latest quarterly report from the Northgate Exploration group company. Following the recent news that it had found "encouraging" uranium values in the vicinity of the upper Humber River, north of Grand Lake in Newfoundland, Westfield says that it has staked a further 941 claims covering some 37,500 acres in the area together with the acquisition of working options over a further 30,000 acres.

Of the oil and gas interests, Westfield announces that it has acquired a 25 per cent working interest in 640 acres of P and NG leases in the Wayne Rosedale area of Alberta in a farm-out obtained by the Calgary-based Cairn Petroleums from Mobil Oil Canada, BP Exploration Canada and Great Plains Development of Canada.

Westfield has earned its 25 per cent working interest in the leases by its contribution to the first earning well which has now been completed as an indicated oil well, currently undergoing production testing.

Meanwhile, Westfield has made a net income for the nine months to September 30 of C$76,141 (£33,000) compared with a loss of C$41,205 in the same period of last year. Westfield shares have come up from 130p since the previous announcement regarding the Newfoundland uranium prospect on October 19.

Rio Algom finds gold

The Rio Tinto-Zinc group's Canadian Rio Algom reports that drilling by its Riocanex division has disclosed three gold deposits on the Cape Ray gold project, 19 miles north-east of Port aux Basques, Newfoundland.

In each of the deposits the mineralisation consists of fine-grained free gold and base metal sulphides, the company said.

The 1978 exploration programme consisted of further geological mapping, geophysical surveying and the drilling of 48 holes totalling 16,228 feet, bringing the total cumulative footage to 36,276 in 85 holes since drilling began in 1977, it said.

Rio Algom said drilling to date has been confined to two locations. One represents a 2½ mile strike length of the major Cape Ray fault, and it was within this locale in a mile-long section that the three deposits were disclosed.

Geological mapping, geochemical sampling and geophysical surveying carried out along the 40 mile length of the Cape Ray fault within the Riocanex property indicate a good potential for more deposits of this type, the company said. A major drilling programme will be carried out next year.

Mine closure hits Northgate

CANADA'S Northgate Exploration reports a consolidated net loss for the nine months to September 30 of C$303,000 (£132,280), or 4 cents per share, compared with a net income of C$246,000 in the same period of 1977 when there was an extraordinary tax credit of C$178,000.

The British & Commonwealth Shipping Company Limited

Interim Report 1978

RESULTS

The profit before taxation for the six months to 30th June, 1978 amounts to £13,270,000 compared with £15,668,000 for the first half-year of 1977. As anticipated, the increased contributions from the non-shipping activities have been insufficient to offset the severe reduction in profit earned from the shipping operation. Notwithstanding the increased investment in Overseas Containers Limited, the share of profits of associated companies shows a marginal reduction at the half-way stage. The increase in financing charges has been brought about principally by further investment in fixed assets.

DIVIDENDS

The Directors have declared an increased Interim Dividend of 4.75p per ordinary stock unit of 50p in respect of the year ending 31st December, 1978 (1977 4.25p). Additionally, following the reduction in the rate of Advance Corporation Tax and in accordance with a resolution passed at the Annual General Meeting held on 26th July, 1978, a Final Dividend of 0.07587p per ordinary stock unit of 50p for the year ended 31st December, 1977 will also be paid.

These dividends will be payable on 9th January, 1979 to Stockholders registered at the close of business on 8th December, 1978.

OUTLOOK

Present indications suggest that, although there will be a further decline in the results of the remaining shipping activity, the profit before taxation and extraordinary items of the second half-year will approximate to that of the first half of 1978. These indications do not take into account a loss arising in an associated company upon the conversion of substantial foreign currency loans into sterling, the Group's share of which amounts to some £1,800,000.

Group Profits for the six months ended 30th June 1978 (unaudited)

	6 months to 30 June 1978 £'000	6 months to 30 June 1977 £'000	Actual year to 31 Dec. 1977 £'000
Turnover	**121,500**	117,300	238,100
Profit from shipping, aviation and other activities	**16,461**	17,395	31,548
Profit on sale of ships	**75**	—	278
	16,536	17,395	31,826
Depreciation	**7,751**	7,061	14,963
Operating Profit	**8,785**	10,334	16,863
Dividends and interest receivable	**4,351**	4,529	10,523
	13,136	14,863	27,386
Interest payable	**3,796**	3,299	6,839
	9,340	11,564	20,547
Share of profits of associated companies	**3,930**	4,104	8,765
Profit before Taxation	**13,270**	15,668	29,312
Taxation			
Group	**4,527**	5,935	10,586
Associated companies	**2,002**	2,039	4,674
	6,529	7,974	15,260
Profit after Taxation	**6,741**	7,694	14,052
Minority Interests	**1,484**	1,300	2,871
Profit attributable to The British & Commonwealth Shipping Company Limited before Extraordinary Items	**5,257**	6,394	11,181
Earnings per Ordinary Stock Unit of 50p	**16.2p**	19.7p	34.5p

Notes

1. The figures for the six months ended 30th June, 1977 have been adjusted to reflect the change in group accounting policy relating to associated companies which was applied for the full year 1977.
2. The analysis of operating profit by activities as shown below:

Analysis of Operating Profit	6 months to 30 June 1978 £'000	6 months to 30 June 1977 £'000	Actual year to 31 Dec. 1977 £'000
Shipping	**96**	4,218	2,748
Air transport and helicopter operations	**4,777**	3,720	9,627
Aviation support services	**1,127**	935	2,242
Leisure industry	**43**	36	(429)
Office equipment	**1,402**	707	2,052
Other activities	**1,630**	1,373	1,568
	9,075	10,989	17,808
Profit on sale of ships	**75**	—	278
Realised currency loan losses	**(365)**	(655)	(1,223)
	8,785	10,334	16,863

3. The charge for taxation for the six months ended 30th June, 1978 has been based on the estimated effective rate for the full year. No change has been made in the method of providing for deferred taxation.

16 November 1978

SEDGWICK FORBES HOLDINGS LIMITED

BLAND PAYNE HOLDINGS LIMITED

ALEXANDER & ALEXANDER SERVICES INC.

PRESS ANNOUNCEMENT

The Directors of Sedgwick Forbes Holdings Limited ("Sedgwick Forbes") and of Bland Payne Holdings Limited ("Bland Payne"), two of the leading U.K.-based international insurance and reinsurance broking Groups, announce that they are holding discussions to see if a basis can be established for merging their two Groups.

It is further announced that the Directors of Sedgwick Forbes and of Bland Payne are holding exploratory discussions with the Directors of Alexander & Alexander Services Inc. ("Alexander & Alexander"), a leading New York-based international insurance broker, with a view to the co-ordination of their worldwide businesses.

The Committee of Lloyd's has given its agreement in principle to these proposals on the basis of assurances received from Sedgwick Forbes and Bland Payne that the arrangements when finalised will not breach the letter or the spirit of the Committee's requirements relating to shareholdings by non-Lloyd's insurance interests in Lloyd's broking companies, the purpose of these requirements being to ensure that control of all Lloyd's brokers remains firmly in the hands of people with long experience of the market and that they remain subject to the regulations and disciplines of the Committee of Lloyd's.

The Boards of all three companies believe that the implementation of these proposals would result in the overall Group being best able in the years ahead to handle the requirements worldwide of their clients. Whilst the proposals would allow the fullest collaboration, they would not in any way be exclusive, as the existing trading relationships of all the three Groups are highly prized and their continuation and development in the best interests of clients would always be of paramount importance.

The following purposes will also be uppermost in the minds of all three Boards in pursuing their discussions:—

1. To create a unit of unique financial and professional strength in the London insurance market by bringing together two leading Lloyd's firms, whose operations are widely complementary.
2. To bring into existence a comprehensively international insurance broking organisation capable of making available to its clients throughout the world the highest standards of insurance broking skills. This will be achieved by bringing together not only the insurance techniques, experience and markets of the two largest insurance centres in the world in the U.S.A. and U.K./Europe, but also the combined strength of the partners throughout the rest of the world.
3. To complement the respective businesses of the U.S. and U.K. partners by giving them an interest in one another's indigenous business.
4. To provide a springboard for continued solid growth of the combined organisation in the interests of clients, staff and shareholders alike.

Bland Payne is a wholly-owned subsidiary of Midland Bank Limited ("Midland Bank"), although Marsh & McLennan Companies, Inc. is a 20 per cent. minority shareholder in the sub-group comprising the main insurance broking businesses. As part of the U.K. merger arrangements and conditional thereon it is intended that Midland Bank should acquire for cash the above-mentioned minority interest.

It is envisaged that the merger of Sedgwick Forbes and Bland Payne will be implemented by means of an issue of shares by Sedgwick Forbes to Midland Bank in exchange for the shares comprising the Bland Payne Group interests, of which Midland Bank will then be the sole owner.

Whilst Midland Bank envisages retaining a shareholding of significant value in the merged U.K. company, the level of such continuing shareholding will involve a very substantial divestment and it is the intention that the Ordinary Shareholders and Convertible Loan Stockholders of Midland Bank shall be afforded the opportunity of participating in this divestment.

Particularly in view of the above, it is considered appropriate that dealings in the shares of Sedgwick Forbes should be suspended for the time being and Sedgwick Forbes shareholders will be kept fully informed of developments.

In the year to 31st December, 1977 Sedgwick Forbes' profits before tax amounted to £23.2 million and the net profit attributable to shareholders was £8.8 million. In the year to 30th September, 1977 Bland Payne's profits before tax amounted to £21.9 million and the net profit attributable to shareholders (but including the present Marsh & McLennan minority interest) was £10.3 million.

Forecast results for 1978 of Sedgwick Forbes and Bland Payne are in the course of preparation and discussions on terms will take place when these forecasts have been completed.

Any proposals will be subject, *inter alia*, to the approval of the shareholders of Sedgwick Forbes.

16th November, 1978.

مطابق للأصل

Lower demand at Hield Bros.

A MARGINAL improvement in pre-tax profits for the six months to October 1, 1978, is reported by Hield Brothers, worsted cloth maker.

Pre-tax profits amounted to £298,000 compared with £284,000 last year. Turnover was £4.77m compared with £5.37m, of which overseas sales accounted for 71 per cent compared with 78 per cent last time.

The results are struck before an extraordinary item of £47,000 representing the projected cost of the closure of the group's Fred Ambler subsidiary, after taking credit for the appropriate tax relief.

Commenting on the results, Mr. A. G. Park, chairman says demand is very disappointing and current under-capacity working will extend well into the second half. Under the present adverse conditions in the industry, it is not possible to forecast results for the full year with any certainty.

In 1977-78, the group reported pre-tax profits of £650,000.

	Half-year 1978 £000	1977 £000
Turnover	4,767	5,371
Trading profit	460	492
Depreciation	121	108
Interest	38	100
Pre-tax profit	298	284
Tax	155	149
Net profit	143	130
Extraord. debit	47	—

Hall and Ham River over £2.4m so far

Including a surplus of £190,000, against £2,000 last time, on the disposal of properties, taxable profit of Hall and Ham River, a subsidiary of Ready Mixed Concrete, increased taxable profit by £146,000 to £2.41m for the half-year to June 30, 1978. Turnover was up from £37.15m to £41.4m.

The share of associates profits and that of a fellow subsidiary were lower at £219,000 (£484,000). Tax took £1.17m (£981,000) leaving a net group balance of £1.14m (£1.02m).

	Half-year 1977-78 £000	1976-77 £000
Turnover	41,463	37,159
Interest	117	111
Depreciation	440	353
Depletion	53	38
Disposal surplus*	190	2
Share associates†	219	484
Pre-tax profit	2,413	2,267
Tax	1,278	1,247
Net profit	1,135	1,020

* On disposal of properties. † Includes fellow subsidiary.

EMI prospects look brighter with promise of renewed growth

IMPROVEMENT ON the depressed results seen for 1977-78 are hoped for at EMI. The directors also remain confident that the longer term outlook is one of renewed growth and higher profitability, says Sir John Read, the chairman.

North America continues to play a major part in the group's affairs. Last year the region accounted for £170.4m (£186.4m) of £872.8m world sales but fell from a £16.28m profit into a £4.63m loss before tax and interest.

The business prospects in the UK remain firm. Last time operating profit here was ahead to £30.64m (£25.26m) on sales up £57.9m at £348.9m. Elsewhere in the world the trading scene is far from buoyant, Sir John says.

The reversal suffered by the group's medical business in 1977-78, due largely to the reduced U.S. market, should be considered in the context of the separate results for this activity in recent years, the chairman comments.

He points out that even allowing for the loss sustained last year, in the six years 1973-78 profits totalled £24m on medical electronic sales, mainly of scanners, amounting to £226m.

The group's total medical electronics business has broadened substantially. In addition to an enlarged range of scanners it now covers other areas of medical diagnostics imaging — notably ultrasound and nuclear medicine as well as cancer therapy systems and advanced therapy planning equipment.

Patent infringement actions on scanners have been instituted in the U.S. courts against certain manufacturers including General Electric Company of the U.S. In every case EMI has simultaneously invited licensing discussions with the manufacturer concerned.

The group's international film production programme made encouraging headway in 1977-78. In the current year it will benefit from investments in three highly successful Columbia/EMI presentations—namely "Close Encounters of the Third Kind," "The Deep" and "The Cheap Detective."

Following entry into the UK dancing market last year the company now has a new business of considerable promise, Sir John says.

The directors look to further progress in the group's entertainment and leisure activities. The 50 per cent-owned Thames Television enjoyed buoyant trading conditions and achieved substantial increases in air time and overseas sales of its TV programmes.

Group taxable profit for the year to June 30, 1978 slumped from £64.74m to £25.97m on sales £21.4m better at £872.6m, and the net dividend is 9.38p (9.24p) per 50p share—as reported October 6. On a current cost basis along the Hyde guidelines, profit is cut to £16.23m by additional depreciation of £9.33m and extra cost of sales of £9.51m less a gearing adjustment of £9.8m.

Analysis of sales and profit by activity shows, with £000s omitted: music £439,031 (£430,335) and £16,829 (£32,703); leisure £131,837 (£94,888) and £11,773 (£7,239); television £60,805 (£50,586) and £9,113 (£8,093); electronics £174,340 (£182,107) and £13,536 (£12,118) and medical electronics £66,542 (£93,205) and loss £13,175 (profit £14,711). Less interest payable of £12,103 (£10,120). Exports were down from £146.2m to £120.7m.

For the year funds showed a net outflow of £13.15m (£13.73m) with liquidity up £3.69m (down £2.08m) and bank borrowings higher at £37.54m (£20.7m). At year end net current assets were lower at £47.61m (£61.8m).

A professional valuation of group properties revealed a net surplus of £35.6m of which £21.5m is to reduce goodwill, £13m is to be taken to reserves, and £1.1m credited to minority interests. As a consequence of the revaluations the depreciation charges will increase by about £1m.

Capital commitments amounted to £43.09m (£51.7m) of which £21.67m (£36.77m) had been authorised but not contracted.

Meeting, Tower Hotel, E, on December 14 at 11.30 am.

Witan Inv. improves at six months

Earnings of Witan Investment Company improved from £977,821 to £1,186,000 for the half year to the end of October 1978, after tax of £702,184 against £514,613. Gross income was up £0.55m at £3.22m.

Net assets per 25p ordinary or B ordinary share at halftime stood at 124.8p (112.3p) with currency loans and prior charges at par, or fully diluted 129.8p (117.7p) with them at market values. Investment currency premium amounted to 13.3p (9.5p).

On October 12 the company borrowed U.S.$25m from a consortium of banks for investments in certain authorised EEC securities.

Earnings per share were up at 1.41p (1.14p)—last year's final was 1.3p paid from record pre-tax revenue of £3.29m.

Investments and subsidiaries amounted to £122.66m (£109.8m) at midway with investments distributed, in percentages, as to UK 54.96 (63.35); North America 19.41 (19.3); Pacific area 23.34 (15.42) and other countries 2.29 (1.93).

Northern Goldsmiths headway

BEFORE other investment income of £6,027, pre-tax profit of Northern Goldsmiths Company, retail jeweller, advanced from £95,598 to £100,851 in the six months to August 31, 1978.

Mr. C. M. C. Royds, chairman, reports that trading has remained buoyant throughout the first half and with profits over 20 per cent ahead at halfway and Christmas sales still to come he is hopeful full year's trading will produce excellent results. For the last full year pre-tax profits totalled £364,342.

First half turnover rose from £1.37m to £1.49m and tax for the period took £60,256 (£49,708).

The chairman states that the company's venture into Manor House Finance has proved a sound commercial investment and, with the recent increase in bank base rate, returns from this income source should prove even more lucrative.

The net interim dividend per 25p share is maintained at 0.85p. Last year's total payment amounted to 2.0869p.

KUALA SELANGOR

Having regard to the current level of profits, the directors of Kuala Selangor Rubber have decided that dividends, hitherto paid as one annual distribution, should in future be paid as interim and final distributions.

An interim of 2.5p is now declared for 1978 and the board expects that the total distribution for the year will not be less than the 6.6p for 1977.

Harrisons and Crosfield has a substantial interest in the company.

Progress at Fraser Ansbacher

FURTHER PROGRESS has been made by Fraser Ansbacher during the six months ending September 30, 1978, towards reaching an adequate level of profitability, Sir Samuel Goldman, the chairman reports.

Profits before tax for the first half are £141,000 against a £53,000 deficit in the same period last year.

Tax charge is £30,000 (£24,000) and there is also an extraordinary debit of £18,000 (£100,000) this time being the cost of disposal of R. Fraser Securities.

Again there is no interim dividend—the last payment was a single 0.0325p in the 13 months to April 30, 1976.

Henry Ansbacher, now the group's principal subsidiary, together with its three subsidiaries all showed increased profits compared with the same period last year and the second half last year.

Figures for the half-years exclude the results of Eastwood Leisure Holdings, whose operating subsidiary is under the control of a receiver and manager, or R. Fraser Securities which ceased to be a subsidiary on September 27 this year.

This company is now only a debtor of the group and its progress in realising assets to reduce the debt is satisfactory, the chairman reports.

Robert Fraser and Partners continues to operate at a low level of activity pending final resolution of the investment in Eastwood Leisure Holdings.

In the second half of the year there will be some increase in overheads in London as the result of a rent review in respect of the premises at 1 Noble Street, EC. The chairman is hopeful, however, that the progress recorded can be maintained.

Downturn at Scottish and Mercantile

PRE-TAX profits of Scottish and Mercantile Investment slipped from £414,737 to £390,331 in the year to March 31, 1978.

The dividend is raised from 3.01557p net to 3.36739p with a final of 2.36739p. Earnings per ordinary and A ordinary share are show nas 4.76p (5.35p).

Tax is £124,246, against £122,742. Minorities are £21,777 (£19,488).

Indonesian operations boost Ultramar's profits and cash flow

WITH THE third quarter giving £8.56m compared with £7.43m, pre-tax profits of Ultramar Company finished the nine months to September 30, 1978, some £11.3m ahead at £26.7m. This is already £2m up on the figure for the last full year.

Indonesian operations were the major contributor to profit and cash flow—a record £20.93m for the nine months. The Eastern Canadian refining and marketing division incurred losses but to a large extent these were due to the weakening of the Canadian dollar when measured against the U.S. dollar and other currencies.

Mr. Campbell L. Nelson, chairman, says he expects results for the last quarter to be at least as good as the average of the first three quarters.

The year will have the highest cash flow from operations and operating profit in the history of the group.

The effect of foreign exchange fluctuations is not predictable, he states. Since September 30, the U.S. dollar has improved against the Swiss franc and the Canadian dollar has improved against the U.S. dollar. Hopefully, this improvement will continue and the large provision for foreign exchange fluctuations necessary at September 30 will not be required wholly at the year-end.

For the nine months, basic earnings are shown to have risen from 17.6p to 24.4p and fully diluted from 16.4p to 22.0p.

The company has submitted the necessary application to the Canadian Foreign Investment Review Agency to seek approval of its acquisition of Canadian Fuel Marketers. The latter is a large and successful petroleum product marketing organisation selling in excess of 70,000 barrels per day, mainly in the provinces of Ontario and Quebec. The directors expect a response to the application in December.

A continuous drilling programme is being carried out in Indonesia and also in Western Canada. The Indonesian drilling results have been successful but the Western Canadian exploration drilling has been disappointing to date.

There was no drilling in the North Sea during the third quarter, but the tempo of activities is expected to pick-up later this year when the company will participate in the sixth round of bidding and possibly begin development of the Maureen Field. In 1979 Ultramar will begin exploration drilling in Egypt.

	Nine months 1978 £000	1977 £000
Sales	414,394	351,348
Trading profit	38,305	30,971
Depreciation, etc.	9,602	5,564
Profit before tax	26,703	15,407
Current tax	10,689	2,421
Deferred tax	4,673	4,894
Profit after tax	11,341	8,092
Foreign exchange loss	6,103	3,444
Tax effects	903	1,355
Leaving	6,141	6,003
Conv. red. pref. div.	788	794
ACT written off	387	—
Attributable to ord.	4,966	5,209
Cash flow	20,929	16,931

Group operating profits are largely in U.S. and Canadian dollars.

The loss on foreign exchange fluctuations of £5.2m relates almost entirely to long-term loans of individual companies repayable over the years to 1993.

The group's entitlement to income from Indonesian LNG sales is included in the profit and loss account after deducting transportation, liquefaction costs and debt service on the loans raised by Pertamina to finance the whole of the construction cost of the Badak LNG Plant which is operated on a break-even basis.

To match income with these deductions, the group's entitlement is adjusted to reflect an equal annual charge for debt service rather than the uneven repayment schedule established for the loans, all of which are repayable within a 12-year period starting in 1977. Effectively, therefore, the cost of the plant will be fully amortised by the end of 1989.

A statement of source and application of funds shows working capital of £32.67m (£4.24m) as at September 30. Long-term loans at that date amounted to £74.41m (£63.18m).

● comment

Ultramar is still playing the dividend card close to its chest. A final decision on whether to continue with the "scrip in lieu" of cash (which has been issued since 1966) is not expected until the preliminary figures are issued. The problem remains ACT, which will remain irrecoverable for as long as Ultramar continues to have insignificant UK earnings. Overall, the shares still remain a high risk investment. Almost everything depends on the large Indonesian gas field (which was discovered looking for oil). And gearing is likely to rise even further over the next two years as Ultramar tries its luck in the North Sea (assuming it gets something out of the sixth round) and expands in Canada. The shares closed 4p lower at 226p.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—J. Billam, Maurice James Industries, F. H. Lloyd, London and Midland Industrials, Sheffield Refreshment Houses, Tiners, Wedgwood, Western Motor, Wharf Mill Furnishers.

Finals—F.P.A. Construction, Radley Fashion, Sandhurst Marketing, Town Centre Securities, "W" Ribbons, Welleo.

FUTURE DATES

Interims—

Allen (Edgar) Balfour	Nov. 22
Anderson Strathclyde	Nov. 23
Century Oils	Nov. 22
Dartmouth Investments	Nov. 23
Dykes (J.)	Nov. 29
Elliott (B.)	Nov. 29
International Paint	Nov. 22
Latham (James)	Dec. 12
Pyramid Group (Publishers)	Nov. 22
Reardon Smith Line	Nov. 21
Somportex	Nov. 21
"The Times" Veneer	Nov. 21
Vinten	Dec. 4
Wallis Fashion	Nov. 29
Finals—	
Allied Breweries	Nov. 21
Atlanta, Baltimore and Chicago Regional Investment Trust	Nov. 21
Barton Transport	Nov. 22
Bass Charrington	Dec. 14
Davenports' Brewery	Dec. 4
Fourth City and Commercial Investment Trust	Nov. 22
Mitchell Cotts	Dec. 7
Mitchell Somers	Dec. 14
Vaux Breweries	Dec. 14

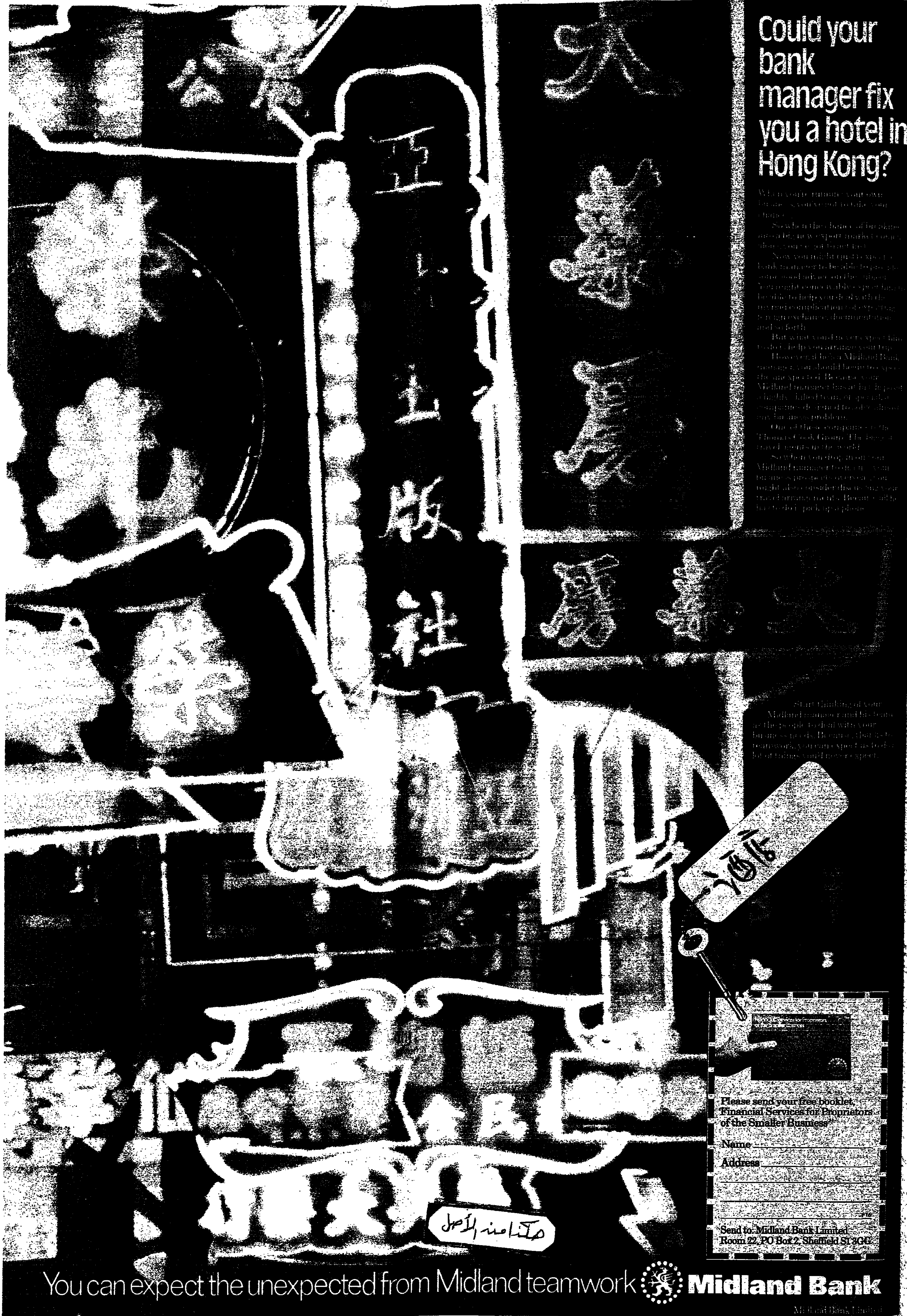
London Prudential makes headway

Before management expenses and loan interest of £31,958 compared with £20,343, total gross revenue of London Prudential Investment Trust improved from £155,158 to £195,262 in the six months to October 31, 1978.

Tax for the period took £54,612 (£47,234) and earnings per 25p share are shown to have risen from 1.46p to 1.81p.

The net interim dividend is raised from 1.25p to 1.5p—an increase of 20 per cent. Last year's total payment was 2.85p.

At October 31 the net asset value per share was 102.3p (95.7p).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INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Uniroyal withholds final dividend to conserve cash

BY JOHN WYLES

NEW YORK, Nov. 16.

UNIROYAL, the third largest rubber manufacturer in the U.S., yesterday *underlined its cash shortage* by withholding declaration of an end-year dividend on its preferred and common stock.

At the same time, the company's board abandoned its offer to exchange a new series of preferred stock for 5¼ per cent convertible subordinated debentures *due in 1996*. According to a spokesman, a variety of factors had contributed to the decision, which was clinched by the low earnings now foreseen for 1978 and the *continuously rising costs of money*.

Uniroyal paid a 12½ cents regular quarterly dividend on September 30 and $2 on its preferred at the same time. The company said that the preferred dividend must be earned before it is declared and paid. Since 1978 earnings were expected to *be low, it was considered prudent* to set aside any declaration on the preferred at this time.

Uniroyal has been undergoing major in-house surgery for the past four years in an effort to reduce its debt burden and to eliminate unprofitable or marginal product areas. With $475m *of long term debt, the company's* debt:equity ratio is almost one to one, while an additional burden is imposed by $515m of unfunded pension liabilities. As *a tyre manufacturer, Uniroyal is* considerably smaller than either Goodyear or Firestone, and its earnings in the U.S. and Europe have been hurt by the price cutting prevalent in the tyre industry. Uniroyal's domestic footwear division is being sold to private investors after increasing losses, while golf equipment and fabrics businesses have already been sold.

In the nine months to the end of September, Uniroyal's sales were $2bn, about the same as last year.

But net earnings fell from $34.7m to $3.1m. The company is not expected to do much better than break even this year, and clearly the passing of dividends is a husbanding of resources aimed at tiding the company over until it begins to *reap the benefits of rationalisation*.

Among other things, it is pinning its hopes on a new pension programme, which puts future pension benefits after December 31, 1978, on a pay as you go basis.

Dart bid receives boost

BY OUR OWN CORRESPONDENT

NEW YORK, Nov. 16.

THE $225m tender offer by Dart Industries for P. R. Mallory, the *Indiana battery manufacturer*, received a boost yesterday when it was exempted from the provisions of the Indiana takeover laws.

The Indiana laws, in common with more than 30 other local statutes around the U.S., offer some protection to the target *company in an unfriendly bid*. Dart's main public concern has been to eliminate any possibility of the Indiana law being used by Mallory, which is incorporated in that state, to impede its $48 a share tender offer launched on Monday.

Last Friday, a federal district court issued a temporary restraining order preventing Mallory, its stockholders, and Indiana officials from invoking the State law. This ruling was upheld by a court of appeals yesterday, and afterwards the Indiana Securities Commission issued an order exempting *Dart's tender offer from the provisions of this law*. Apparently this judgment was influenced by a recent landmark decision by a court of appeals, which ruled that a similar takeover law in the state of *Idaho* was unconstitutional.

Dart has set up a subsidiary in *Delaware* as the vehicle for its tender offer, and court hearings continued yesterday on the company's bid to have the less forceful Delaware takeover legislation set aside also.

On news of these moves, Mallory's stock leapt $13⅜ to $49½ today, amid expectations *that a rival bidder may soon appear*. While recommending shareholders to reject Dart's offer yesterday, Mallory's board disclosed that other companies had shown interest.

Woolworth earnings upsurge

NEW YORK, Nov. 16.

A FURTHER substantial gain in earnings for the third quarter is reported by F. W. Woolworth, the multiple store trader, although *the rate of increase bears out the* Board's previous forecast that it would slow down by comparison with the opening quarters of the year.

Net earnings have risen by 95 per cent to $24.2m or $0.80 a share, against £0.40. In the first half of this year the store *group achieved a gain of more* than 150 per cent in net profits, with the second quarter bringing a gain of more than 375 per cent.

At the nine month stage, earn*ings now show an increase of 121* per cent at $50.4m or $1.63 against $0.69 a share.

Third quarter earnings included the 52.7 per cent equity in earnings of F. W. Woolworth of Great Britain, amounting to $2.4m against a loss in 1977 quarter of $2.2m.

The unfavourable impact of fluctuating currencies cut earnings 11 cents in the 1978 quarter and 14 cents a year ago.

The nine month earnings *included equity of $4.7m in earn*ings of the British company against $2.2m a year ago.

Mr. Edward F. Gibbons, the chairman and chief executive officer, said the company expects continued sales gains and "a satisfactory level of profits in the important fourth quarter."

Agencies

Earnings rise at Arthur Andersen

By Our Own Correspondent

NEW YORK, Nov. 16.

A 72 per cent surge in overseas earnings has helped Arthur Andersen, the fourth largest U.S. accounting firm, to a 17 per cent increase in partners' profits for the year ended August 31.

Andersen's annual report released today adds to the picture of an extremely good fiscal 1978 for the U.S. accounting industry. Andersen recorded a 16 per cent increase in fees to $545.6m, which compares with a 17 per cent increase at Coopers and Lybrand, now claiming to be the world's largest accounting firm to the annoyance of Peat Marwick Mitchell and Co., whose fees were up 14 per cent in fiscal 1978 and which claims that it is still number one.

A central feature of Andersen's report is the spectacular growth of its overseas operations. While U.S. fees rose 13 per cent to $395.9m, fees earned abroad rose 24 per cent to $149.7m. U.S. earnings were up 12 per cent, while income from all other countries leapt 72 per cent. *Earnings for the year* rose from $114.1m to $135.7m, including a currency translation gain of $2.15m compared with a loss of $1.62m in 1977.

This left active partners earning an average of $119,000 each at the year end, up 17 per cent from last year's $102,000.

According to the annual report, 55 per cent of the company's *non-U.S. fees came from* Europe, 16 per cent from South America, 9 per cent from Canada, 7 per cent from Australia and 6 per cent from Japan.

Paper boosts earnings at Power

By Robert Gibbens

MONTREAL, Nov. 16.

POWER Corporation of Canada the financial, industrial and transport group controlled by Paul Desmarais, had operating *earnings of C$15.3m*, or C$1.18 a share in the third quarter against C$6.1m, or 43 cents, on gross revenues of C$75m compared with C$68m.

The company recently sold its holdings in Argus Corporation of Toronto.

Power's nine-month earnings were C$27m or C$2.03 per share against C$16.3m or C$1.12 a share. Gross revenues were C$185m against C$186m.

The sharply higher earnings reflected increased holdings in Investors Group and higher corporate profits at the pulp and paper subsidiary, Consolidated Bathurst.

U.S. QUARTERLIES

CAMPBELL SOUP

First quarter	1978 $	1977 $
Revenue	533m	474.3m
Net profits	30.9m	28.1m
Net per share	0.92	0.8

CANADIAN SUPERIOR OIL

Third quarter	1978 $	1977 $
Revenue	54m	39.2m
Net profits	15.5m	8.9m
Net per share	1.68	1.04
Nine Months		
Revenue	163.9m	126.3m
Net profits	40.5m	36m
Net per share	4.42	4.21

INTERNATIONAL CONTROLS

Third quarter	1978 $	1977 $
Revenue	20.4m	18.8m
Net profits	791,000	802,000
Net per share	0.20	0.21
Nine Months		
Revenue	59.2m	59.5m
Net profits	3.0m	2.5m
Net per share	0.79	0.67

NATIONAL STANDARD

Fourth Quarter	1978 $	1977 $
Revenue	67.2m	63.5m
Net profits	1.77m	2.25m
Net per share	0.43	0.54
Year		
Revenue	289.5m	268.5m
Net profits	12.1m	11.6m
Net per share	2.95	2.79

PENN DIXIE INDUSTRIES

Third quarter	1978 $	1977 $
Revenue	102.1m	81.1m
Net profits	1.65m	*2.48m
Net per share	0.30	*0.47
Nine Months		
Revenue	245m	216.3m
Net profits	*2.1m	*5m
Net per share	*0.40	*0.94

*Loss

ROTHMANS CANADA

Second quarter	1978 $	1977 $
Revenue	418m	407.6m
Net profits	13.3m	12.3m
Net per share	2.53	2.33

SEA CONTAINERS

Third quarter	1978 $	1977 $
Revenue	35.8m	23.7m
Net profits	7.20m	6.69m
Net per share	0.83	0.88
REQUIREMENTS		
Revenue	98.5m	63.6m
Net profits	23.7m	18m
Net per share	2.79	2.38

WRATHER

Third Quarter	1978 $	1977 $
Revenue	13.9m	9.51m
Net profits	1m	1.11m
Net per share	0.43	0.49

STEEL INDUSTRY

Cost increases and trigger prices

BY STEWART FLEMING IN NEW YORK

The latest batch of quarterly results from the industry shows a substantial rise in earnings, but this must be seen against a dismal performance last year. Moreover, the help given by the Carter Administration must now be balanced by its concern to combat inflation.

AS THE third quarter results of the major U.S. steel companies came chattering over the ticker-tapes last month, it would have been hard to resist the impression that the industry was experiencing a boom.

Compared with the third quarter of 1977, profits at U.S. Steel, the industry leader with almost one quarter of the market, more than doubled to $59m compared *with a net of $25m*. Republic Steel's earnings tripled to $30.6m, National Steel's earnings also tripled, and Armco's increased by 90 per cent to $60.1m.

The impression of boom conditions is, of course, misleading, and the clue, in part, was provided by Bethlehem Steel, which reported a $64.7m net profit for the third quarter compared with a loss a year earlier of $467m. While Bethlehem, because of the heavy costs of *plant closures*, was the worst hit of the steel companies in the third quarter of 1977, in general, it was not just that quarter but most of the year that constituted a more or less depressed period for the industry.

High costs, inadequate pricing, the closure of inefficient and antiquated plants, and a jump in the share of the market secured by foreign producers all combined to erode profits of the domestic steelmakers.

This year, it is true, things have been different, at least to some extent. Capacity utilisation in the industry, buoyed up by surging demand, has been bobbling around the 90 per cent market compared with 75-80 per cent a year ago. However, the first quarter coal strike made a hole in the profits of those sections of the industry with coal interests, and the hole was bigger if they were suffering the after-effects of the strike in their iron ore mines.

But the by the second quarter of the year, a profits recovery was already under way. The third quarter's figures, while generally maintaining the profit levels secured in the second quarter, did not generally improve significantly on them. In some cases—Bethlehem Steel for example—there was a modest decline between the second and third quarters. Bethlehem earned net income of $84.8m in the second quarter and $79.7m in the third. In the case of U.S. Steel, the slow down was more marked, with earnings down from $117.3m to $88.8m.

A key factor in the trend has been that the industry's rising *costs—a new wage increase came into effect in August, for example*—have begun to erode the benefits of the looming prices which has taken place. Most estimates suggest that over the past 12 months, steel industry prices have risen by between 15 and 20 per cent, taking into account not only price increases but also the elimination of price discounts given in slacker periods.

The question now is the extent to which that cost erosion will continue. One reason why prices have firmed so significantly in the past year has been the impact of the Treasury's trigger price system for controlling imports. This has helped the industry to push up prices without running a serious risk that imports would grab a bigger share of the market. Now, however, with the industry more profitable, the Carter Administration's priorities in the steel industry are shifting. Thus, when earlier in the month the administration announced a 7 per cent rise in the trigger price to take effect at the beginning of 1979, at the same time it announced that the major steel producers had agreed to back Phase Two of the inflation policy. This will probably limit those companies to a 7.5 per cent price increase next year.

*The first portion of that in*crease, perhaps a 4 per cent rise to be announced next month to take effect in February, will undoubtedly help the industry. But some people are predicting that costs could rise by 10 per cent in the industry next year. If a recession comes and demand slackens, domestic shipments could also stagnate or slip back from the 96m ton level now expected for 1978. Mr. David Roderick, president of U.S. Steel, is hoping that imports will bear the brunt of any sluggishness in steel demand, and that the industry's shipments will therefore rise to 100m tons, helping it to absorb cost increases.

Much will depend therefore on whether, as some are now suggesting, the trigger price system is begining to work by eliminating the extent to which foreign exporters can undercut U.S. steel producers.

The outlook for the industry next year therefore remains uncertain. Few doubt that it has had its *pricing freedom further* eroded by what has all the appearances of a deal struck with the Administration on the latest trigger price increase. But it can hope for import relief if the trigger price system, for whatever reason, now begins to slow down import growth, especially from Western Europe. The Japanese exporters appear to have been voluntarily excercising restraint, with their exports to the U.S virtually *stagnant for three years now*.

But as Republic Steel has pointed out, even the profits recovery that has so far been recorded looks more impressive *in the size of the increases than* it does on closer analysis. Thus its profit margins on earnings for the first nine months of 1979 are only 2.7 per cent (at U.S. Steel the figure is a miserly 1.8 per cent), and its return on equity well below the average for manufacturing industry. In the long run, the problems facing an industry which needs to improve its efficiency and increase its capital investment look almost as daunting as ever.

Improvement at Tenneco

BY JOHN LLOYD

HOUSTON, Nov. 16.

TENNECO EXPECTS "satisfactory improvement" over last *year's record earnings of $4.38 a* share, Mr. James L. Ketelsen, the chairman, told analysts.

Revenues this year will be in excess of $8bn for the first time, and "closer to $9bn."

Capital expenditures for 1979 will be $1.15bn, compared with $950m for 1978.

Overall production of oil should average 83,000 barrels a day this year, compared with 77,000 last year, and the company *expects production to be* "considerably greater" in 1979.

The Heather Field in the British North Sea will average 4,400 barrels a day through the end of the year, 9,800 barrels a day in 1979 and will peak at 14,300 barrels a day in 1981.

Tenneco's South Marsh Island 61-C *platform now* nets 170m cubic feet of gas daily and production is expected to rise to 220 cubic feet of gas a day in 1979.

The Walker Manufacturing subsidiary plans to open company-owned retail muffler shops.

Mr. Ketelsen is leaving for Washington to confer with Energy Secretary Mr. James Schlesinger. He hopes that a discussion of possible U.S. purchase of Mexican natural gas will be among the priority items discussed.

Reuter

Caterpillar suit filed

PEORIA, Nov. 16.

CATERPILLAR TRACTOR has filed a suit in a U.S. District Court in Chicago alleging that earthmover vehicle tyres recently introduced by Goodyear Tire and Rubber infringe U.S. patents held by Caterpillar.

Agencies

EUROBONDS

Dollar sector more active

BY FRANCIS GHILES

THE DOLLAR sector of the bond market had a very good day yesterday, with prices moving up between ¾ and 1¼ points. Trading was described by dealers as hectic, especially in the late afternoon. The strong performance of the dollar explains this rise, and it would appear that not all trading was professional. There were signs of investor interest.

Prices in the Deutsche Mark *sector picked up yesterday* by about ¼ of a point in good two-way trading. This movement confirms the trend which has been witnessed in the past day or so. The DM 150m bond for Finland was priced at par with conditions otherwise unchanged by the lead manager Dresdner Bank: it was being quoted in early trading at a discount of 1¼ per cent, equivalent to the selling group discount.

The biggest-ever Deutsche Mark-denominated convertible is expected today for the Japanese electronics company Sharp.

● AP-DJ adds from Frankfurt: F Wilhelm Christians, management Board speaker for Deutsche Bank, said yesterday that he foresees the first tranche of the proposed U.S. foreign currency bonds, expected to total $10bn, coming soon.

The first Deutsche Mark tranche should amount to DM 3bn ($1.57bn), consisting of some DM 2bn in open-market credits and some DM 1bn in a form similar to U.S. certificates of deposit. Herr Christians added that both issues should carry a life of under four years.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on November 16

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aza Akt. 9¾ 88	25	95½	96	+0½	+0½	9.94
Australia 8.45 83	175	97½	97¾	+0¾	+0¾	9.34
Australia 9¼ 93	75	99½	99¾	+0½	+0¾	9.41
Beatrice Foods 7⅞ 83	100	95½	96	+0¾	+0¾	8.92
BECA 8¾ 87	50	94½	94¾	+0¾	+0¾	9.73
BECA 9 93	25	97½	97¾	+0½	+0¾	9.33
BECA 9¾ 98	25	96½	98½	+0¾	+1	9.41
BFP 9 93	75	95¾	95½	+0¾	+0¾	9.54
Canada 8 83	250	96½	96¾	+0½	+0½	9.22
Canada 8.20 83	250	95½	96½	+0½	+0½	9.24
Canada 8¾ 98	250	94¾	95½	+0¾	+0½	9.38
Canada 9 83	400	99½	100¼	+0½	+0½	9.17
Canada 9¼ 98	350	100¾	100¾	+0¾	+0¾	9.39
Canadair 8¾ 83	70	95	95½	+0¾	+1¾	9.81
Dominion Bridge Co. 9 86	25	93¾	93¾	+0¾	+0½	10.23
EIB 8¾ 83	100	96¾	96½	+0¾	+0¾	9.56
EIB 9¼ 98	125	97½	98	+0½	+0½	9.59
EIB 9¾ 98	100	†98½	99	+0½	+0¾	9.62
Elsam Jutland 9 85	25	95¾	95½	+0½	+0½	9.94
Eksportfinans 9 85	50	96¾	97½	+0½	+0¾	9.57
Finland 8¾ 83	100	97	97½	+0¾	+0½	9.73
Finland 9 88	100	96½	97½	0	+0½	9.72
Hospital O/S 9 83	25	95½	96	+0½	+0½	10.34
Ind. Finance 9¼ 88	25	94	94½	+0½	+0¾	10.73
Ind. Finance 9¾ 90	20	92	92½	+0¾	+0½	11.23
J. C. Penney 8¾ 83	100	97¾	97¾	+0¾	+0¾	9.19
MacMillan Bloedel 9¾ 92	50	97½	97¾	+0½	+1¼	9.58
NZ Dev. Fin. 8¾ 83	20	93½	94	+0¾	+1½	9.67
NZ Dev. Fin. 8¾ 83	20	93½	94½	+0¾	+1½	9.63
Nat. West. 9 86	75	96½	97¾	+0¾	+1¾	9.53
Newfoundland 9¾ 90	50	97½	97½	+0½	+1	9.60
Nord Inv. Bk. 8¾ 88	25	96¾	97¾	+0½	+0½	9.20
Norges Komm. 9¾ 98	75	97¾	98½	+0¾	+0¾	9.53
Norway 7¾ 83	250	94½	94¾	+0½	+1¼	9.42
Norway 8¾ 83	150	97¾	98¾	+0¾	+0½	9.47
Occidental 8¾ 83	75	91¾	92½	+0½	+1	10.58
Ont. Hydro 8¾ 85	125	95¾	96½	+0¾	+0½	9.32
Quebec Hydro 9¾ 92	50	97¾	98	+0½	+0¾	9.78
Sweden 9¾ 98	125	98¾	99	+0½	+0½	9.61
TVE 8¾ 83	200	96½	96½	+0½	+0¾	9.44
UTE 8¾ 93	150	97½	98	+0½	+0¾	9.37

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 6½ 88	150	95	95¾	+0½	−0½	7.16
Asian Dev. Bk. 5¾ 88	100	†93½	93¾	0	−1	6.43
Australia 6 88	250	†101½	101¾	+0½	0	5.81
Austria 5½ 90	150	96	96½	+0½	+0¾	6.20
Bank America 5¾ 90	150	99½	100	+0¾	0	5.78
Banque Ext. Algerie 7¼ 85	100	96½	96¾	−0½	−0½	7.92
BECA 6 88	150	97½	97¾	+0½	0	6.33
Canada 4¾ 83	600	97¾	98½	+0½	0	5.28
Chase Manhattan O/S 6 93	100	102½	102¾	+0½	0	5.75
Commerzbank Int. WW 73	100	†105¾	106½	+0½	+1½	2.78
Commerzbank Int. XW 73	100	†87½	87¾	+0½	+0¾	5.76
Copenhagen City 6 90	75	95	96½	+0½	+0½	6.45
Council of Europe 6¼	100	97¾	98½	−0½	−2	6.39
EIB 6 90	300	97¾	99½	+0½	+0½	6.26
Elf Aquitaine 5¾ 88	100	93¾	94½	0	+0½	6.10
Eurofima 5 84	100	98½	99½	+0½	+0½	5.28
Indonesia 7 84	100	97	97½	+0½	0	7.56
Kobe, City of 5¾ 88	100	99¾	100¾	+0½	−3½	5.70
Mexico Servicos de Elet	150	97½	97¾	0	−0½	7.21
Mexico 6 85	200	95¾	96½	+0½	0	6.76
Mitsubishi Petro 5¾ 85	100	†101½	101¾	0	−0½	5.48
Nippon Steel 5¾ 85	100	101½	101¾	−0½	−0½	5.48
Norges Komm. 6 90	100	99	99½	+0¾	−0¾	6.09
Norway 4¾ 83	250	96½	97	+0½	+0¾	5.22
Norwegian Ind. Bk. 6 90	125	98½	98¾	−0½	−0½	6.20
Petroleo Brazil 7 88	100	99½	99¾	+0½	+0½	7.09
Philippines 6¾ 88	100	95¾	96½	+0¾	+0½	7.58
PK Banken 5¾ 88	100	93¾	94½	+0½	+0½	6.62
Quebec, Province of 6 90	150	95¾	96¾	0	+0½	6.48
Rautaruukki Oy 5¾ 88	50	93¾	94¾	+0½	0	6.62
Renfe 5¾ 85	30	†102½	103¾	+0½	−0½	5.12
Spain 6 88	200	96½	96¾	+0½	−0½	6.52
Statoil 6 88	150	99¾	100¾	0	+0½	6.01
Trondheim, City of 7½	35	94¾	95¾	0	−1	6.83
TRS Group 7¾ 88	65	96½	97½	+0½	+0½	6.96
Venezuela 6¾ 90	150	94½	94¾	+0½	−0½	7.20

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Acesa 5¼ 88	40	100	104½	−0¾	+1	4.69
Arlberg Tunnel 4 93	40	99½	100	0	−1	4.02
Asia 3¾ 93	100	98½	95½	0	0	4.22
Chase Manhattan 4 93	70	107¾	103½	0	−0½	3.73
CVRD 4¾ 90	50	97½	98½	−0½	−0¾	5.01
Council of Europe 4½	65	101¾	107½	−0½	−0½	4.32
Creditanstalt 3¾ 93	80	101	101½	+0½	−0¾	3.64
EDF 5 88	75	100	100½	−0½	−0½	4.97
Denmark 4¾ 90	100	102½	103	+0½	0	4.20
Denmark Mortgage Bank	80	107½	108	0	+1¼	4.08
EIB 4½ 93	100	100½	100½	−0½	−0½	4.70
Eurofima 4½ 93	80	101	101½	−0½	−0½	4.13
Eli Lilly Smith 4½ 89	25	103½	101½	+0½	+0½	4.39
Finland 4½ 93	80	101½	101½	−0½	−0½	4.40
IDB 4¾ 93	100	102	102½	−0½	−0½	4.29
Ind.-Liechtenstein 4¾	25	105	105½	+0½	−0½	3.77
Ind. Fin. NV 4¾ 93	100	103	103½	0	0	3.95
Malaysia 4¾ 90	80	99¾	99½	−0½	−0½	4.79
Manitoba 4 93	100	101	101½	−0½	−0½	3.28
New Brunswick EPC 4¾	100	97½	97¾	−0½	−0½	3.99
Norway 4 93	70	99½	100	0	−0½	4.82
Norges Komm. 4¾ 90	100	†102	102½	0	+0½	4.00
OKB 4 93	80	100½	101½	0	0	3.91
Oy Nokia 5 90	20	102	102½	−0½	+0½	4.74
Philips 4¾ 93	30	101½	101½	−0½	−0½	4.10
Quebec 4 90	65	100½	101½	−0½	0	3.91
SAS 4¾ 88	15	101	101½	−0½	−0½	4.33
Voest-Alpine 4½ 88	100	101½	102½	−0½	−0½	4.31
Vorarlberg Kraft 4 93	30	100	100½	−0½	−0½	3.98
Wang 4 93	100	100	100½	0	0	3.98
World Bank 4½ 93	250	101½	102½	−0½	−0½	4.31

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 6¾ 88	15	98½	99½	0	+0½	5.90
Australia 6.6 90	53	101½	101½	0	−0½	6.55
BFCE 6.4 90	30	97	97½	+0½	−0½	6.84
Eurofima 6.3 90	10	98½	98½	0	−0½	6.59
Finland 6.7 86	25	97½	98½	−0½	−0½	7.13
Norway 5.7 83	25	103½	104	0	−0½	4.84
Oslo, City of 6.6 90	15	98½	98½	0	−0½	6.91
SNCF 6.8 90	20	98	98½	−0½	−0½	6.92
Sweden 6.5 90	40	96½	97	0	0	6.84

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Rank O/S Hold. 11½ AS	12	96½	97½	+0½	−0½	12.27
Auto Cote Basq. 7 93 EUA	16	*97½	97½	+0½	+0½	7.28
Copenhagen 7 91 EUA	30	†96¾	97½	+0½	+1	7.31
Finland Ind. Bk. 7 93 EUA	15	†95½	97½	+0½	+0½	7.34
Komm. Inst. 7½ 93 EUA	15	†97¾	98½	−0½	0	7.70
Panama 8½ 93 EUA	20	†96½	97½	0	+1½	8.64
SDR France 7 93 EUA	22	97½	98½	+0½	−0½	7.22
Algemene Bk. 6¾ 83 Fl	75	93¾	94½	−0½	−0½	7.94
Brazil 7¾ 83 Fl	75	94¾	95½	−0½	0	8.88
CFE Mexico 7¾ 83 Fl	75	96½	97¾	0	+0½	8.47
EIB 7¾ 85 Fl	75	94¾	95½	−0½	−0½	8.28
Neder. Middenb. 6¾ 83 Fl	75	95¾	96¾	0	+0¾	7.49
New Zealand 6¾ 84 Fl	75	95¾	96½	0	−0½	7.64
Norway 6¾ 83 Fl	100	94½	95½	−0½	+0½	7.92
OKB 6¾ 85 Fl	75	92½	93½	−0½	−0½	7.93
EIB 9¾ 88 FFr	200	98½	98½	+0½	+0½	9.97
BAT 8 88 LuxFr	250	†94½	95¾	−0½	−0½	8.72
Bayer Lux. 8 88 LuxFr	250	†96½	97½	+1½	+1½	8.60
EIB 7¾ 88 LuxFr	250	†95¾	96½	+0½	+0½	8.30
Finland I. Fd. 8 88 LuxFr	250	†95½	96½	+0½	+0½	8.56
Norway 7¾ 83 LuxFr	250	†95¾	96¾	−0½	−0½	8.84
Renault 7¾ 88 LuxFr	500	†96½	97½	+2½	+0½	8.36
Solvay Fin. 8 85 LuxFr	500	*†99	100	+0½	+0½	8.13
Swedish I. Bk. 8 88 LuxFr	500	†99	100	−0½	−0½	8.07
Citicorp O/S Fin. 10 93 £	20	84½	85	+0½	+0½	12.32
Finance for Ind. 10 89 £	12	83	83½	+0½	+1½	12.99
Gestetner Hld. 11 88 £	10	86½	87½	+0½	+2½	13.07
Orantehoorn 10 90 £	15	84½	85½	+0½	+2½	12.78
Whitbread 10½ 90 £	15	83½	84½	+0½	+0½	13.25

FLOATING RATE NOTES	Spread	Bid	Offer	C.date	C.cpn	C.yld
American Express 83	0½	99	99½	20/3	10½	10.71
Arab Intl. Bank M5½ 83	0¾	95¾	96½	31/1	9¾	9.75
Banco Nac. Argent. M5½ 85	0½	96½	96½	21/1	9½	9.79
Bank Handlowy M5½ 83	1½	96½	97	25/11	9.56	9.88
Bank of Tokyo M5½ 93	0½	96½	97	18/4	10½	10.85
Banque Worms M5½ 83	0½	97¾	98½	15/12	9	9.29
Bq. Ext. d'Alg. M5¾ 84	0¾	97½	97¾	9/2	9¾	9.87
Bq. Ext. d'Alg. M7½ 85	0¾	96½	97	2/5	12½	13.18
Bq. Indo et Suez M5½	0½	97½	98	25/1	9½	9.59
Bq. Int. Afr. Occ. M5¾ 83	0½	96½	97½	12/3	9½	9.66
CCCE M5¾ 85	0½	96½	96½	3/2	9.19	9.53
CCF M5½ 83	0½	99½	99½	3/5	12½	12.33
Chase Man. O/S M5½ 93	0¾	96½	96¾	27/1	9.32	9.64
Credit National M5½ 88	0¾	96½	97½	11/1	9.39	9.67
Gotabanken M6 88	0½	97	97½	15/5	12.31	12.66
Ishikawajima M5½ 85	0½	97¾	98½	27/4	11½	11.46
Ljubljanska M7½ 85	1	96½	97	19/1	10½	10.61
LTCB Japan M5½ 85	0½	98½	98½	9/5	12.06	12.26
Midland Intl. M5½ 93	0½	96½	97½	20/1	9.44	9.73
Nat. West. M5½ 90	0½	97	97½	21/12	9.31	9.58
Nippon Credit M5½ 83	0½	98	98½	15/3	9½	9.67
OKB M5½ 88	0½	99	99½	18/4	10.56	10.64
Offshore Mining 86	0½	97½	97½	19/1	9.19	9.48
SFTF M5½ 87	0¾	98½	98½	5/4	10.69	10.86
Standard Chart. M5½ 90	0½	96½	96½	10/2	8.96	9.27
Sundsvallsbanken M6 85	0½	96½	96½	4/4	10.06	10.43
Utd. Overseas Bk. M6 85	0½	98½	99½	4/5	12.31	12.45

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Asics 5¾ 93	9/78	622	103½	101½	−0½	7.66
Baker Int. Fin. 5½ 93	1/79	38	95	97	+0½	8.46
Bonis 6¾ 93	2/79	2.36	89¾	90½	−0½	−4.39
Coca-Cola Bottling 6½	4/79	9	83½	84½	+1½	23.33
Ito-Yokado 5 93	6/78	1473	131½	132½	−3½	−0.69
Novo Industri 7 89	4/79	259	91½	93½	+1½	6.38
Texas Int. Air 7¾ 93	4/79	14.5	79½	83½	−0½	27.05
Thorn Int. Fin. 7 88	11/78	3.67	96½	97½	−1	−1.05
Tyco Int. Fin. 8¾ 88	9/78	21	91½	93	−0½	25.96
Tyco Int. Fin. 5 84	5/78	61.5	71½	72½	0	187.91
Asahi Optical 3¼ DM	12/78	588	93½	96½	+1	20.75
Casio Comp. 3¼ 85 DM	11/78	841	104½	105½	+1½	5.61
Izumiya 3½ 86 DM	10/78	909	104½	105½	+0½	4.02
Jusco 3½ 86 DM	1/79	1277	98	99	+1½	16.36
Konishiroku 3¼ 85 DM	1/79	612	96½	98½	+1	8.29
Marudai Food 3¼ DM	2/79	1033	105	106	+0½	14.67
Murata Man. 3¼ 86 DM	11/78	854	94½	95½	+3½	11.35
Nippon Air 3¼ 85 DM	12/78	528	94½	95½	+0½	4.76
Nippon Shinpan 3¼ DM	8/78	778	120½	121½	+0½	1.10
Nissan Diesel 3¼ 86	2/79	477	99½	99½	+1½	11.79
Olympus Optical 3¼ 85 DM	2/79	703	95½	98½	+0½	2.93
Ricoh 3¼ 86 DM	10/78	617	103	104	+0½	17.29
Sankyo Electric 3¼ DM	8/78	869	117½	119½	−0½	10.54
Sanyo Electric 3¼ DM	11/78	295	91½	94½	+0½	4.61
Seiyu Stores 3¼ 86 DM	9/78	1275	114½	115½	−0½	−1.68
Stanley Electric 3¼ DM	11/78	623	94½	97½	0	9.16
Trio-Kenwood 3¼ 86 DM	11/78	711	91½	92½	+0½	9.79

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.date=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Munich Re raises profit for year

BY JONATHAN CARR

MUNICH, Nov. 16.

Muenchener Rueckversicherung, considered the world's largest reinsurance enterprise, proposes to pay an unchanged 18 per cent dividend for the 1977-78 business year (to June 30) on net profit up to DM 47.2m ($25m) from DM 34m in 1976-77. The company is confident that the dividend can be maintained for the current year, too—but warns that profits will be down somewhat.

The company will also propose to shareholders on December 8 a capital increase by DM 84m to DM 279m through a two-for-five rights issue. The new shares will have full dividend rights for the whole of the current business year.

At a Press conference here Herr Horst Jannott, the executive chairman, stressed that last year's improvement merely brought net profit back to about the level of 1974-75.

A major reason for the better showing was that the results reflected a year when natural catastrophes and major damage claims (those of more than DM 5m) had been well below average. This had meant positive results both at home (which accounts for about 60 per cent of turnover) and abroad.

However, one major catastrophe could easily upset the picture, Herr Jannott said. He noted that the hurricane "Capella" in 1976 caused damages estimated at DM 175m. The company's special reserve for just such occasions now totalled DM 115m—thanks to an increase in DM 15m paid in from the 1977-78 net profit.

Further, only DM 5.4m of that net profit came from reinsurance business alone (compared with a loss of DM 15.4m from this sector in 1976-77). That means profitability here totals less than 0.1 per cent of total premium income, which rose by 11 per cent in 1977-78 to DM 5.7bn.

The big profit performers in reinsurance had been life (DM 22.6m), Fire (DM 18.5m) and "other sectors"—including technical insurance (DM 23.7m). But liability, accident and motor together had brought a loss of DM 43.2m compared with a loss of DM 24m a year earlier. For this the motor insurance sector was principally to blame. Yet the company could not refuse motor reinsurance business without losing custom in other, profitable sectors.

The lion's share of net profit—around DM 42m—came not from reinsurance but from "general business"—that is primarily investment income. This income rose in 1977-78 to DM 469m from DM 406m a year earlier.

The balance sheet value of the company's investments amounts in all to DM 5.8bn against DM 5.3bn a year earlier. Among the stakes in other businesses are 25 per cent in Allianz Versicherung, the country's largest insurance company and 25 per cent in Regina Verwaltungsgesellschaft. Munich, which itself holds more than 25 per cent of the Gutehoffnungshuette Engineering concern.

Stakes of more than 25 per cent are held by Muenchener Rueckversicherung in, among others, GFC Gesellschaft Fuer Chemiewerte (which has more than 25 per cent of the capital of Degussa, the precious metals business) and in Veritas Vermoegensverwal Tungsgesellschaft. Munich (which has more than 25 per cent of the Hapag Lloyd shipping and tourism company).

Norwegian bank share sale price agreed

By Fay Gjester

OSLO, Nov. 16.

THE OFFICIAL commission entrusted with putting a "fair" price on the shares of Norway's 27 commercial banks, in case shareholders should wish to sell them to the state, has reached its first judgment. The bank involved, Bergen Bank, is one of Norway's "big three."

Shareholders in banks were given the option to sell in case they objected to the new law putting public appointees on bank Boards.

Four out of five of the Commission's members said that the gross redemption price for Bergen Bank shares should be NKr 105.80 ($21) the equivalent of their average price over the three years ending December 31, 1977, since this was higher than their price on January 1, 1978, the day on which Norway's bank "democratisation" law took effect. The law said that shareholders could redeem bank shares either at the January 1 market price, or at the average over the preceding three years, which ever was the higher.

The dissenting member of the Commission, stock exchange director Mr. Erik Jarve, believed the price should have been fixed higher.

The net redemption price for Bergen Bank shares, after deduction of half of the dividends paid during 1975-77, has been fixed at NKr 101.13 per share. Shareholders have until the end of 1980 to decide whether to sell at this price. Yesterday, Berger Bank shares were quoted on the Oslo Stock Exchange at NKr 101.50. A spokesman for Bergen Bank said it was advising shareholders to take their time about deciding whether to sell at the official price.

Both the banks and the government are hoping that most commercial bank shareholders will not sell. The banks hope to avoid being gradually nationalised. The government hopes to avoid the large cash outlay which such a development would involve. Even if only a fifth of shareholders should decide to cash in their shares, it would cost the state NKr 500m. In principle, the government hopes to resell any shares it has to buy, provided this can be done without significant loss.

FOOD PRICE MOVEMENTS

	November 16 £	Week ago £	Month ago £
BACON			
Danish A.1 per ton	1,140	1,115	1,115
British A.1 per ton	1,110	1,085	1,085
Irish Special per ton	1,110	1,010	1,010
Ulster A.1 per ton§	1,110	1,050	1,050
BUTTER			
NZ per 20 kg	12.61/12.74	12.61/12.74	12.59/12.72
English per cwt†	79.14	79.14/79.15	77.61/78.02
Danish salted per cwt†	80.98/83.72	80.98/83.72	78.98/81.72
CHEESE§			
NZ per tonne	1,200	1,161.50	1,161.50
English cheddar trade per tonne	1,345	—	1,345
EGGS*			
Home-produced:			
Size 4	2.80/3.10	2.60/2.80	2.65/2.80
Size 2	3.30/3.70	3.20/3.40	3.10/3.40
	November 16 p	Week ago p	Month ago p
BEEF			
Scottish killed sides ex-KKCF	54.0/58.5	54.0/58.0	53.0/57.0
Eire forequarters	36.0/38.0	37.0/39.0	35.0/38.0
LAMB			
English	50.0/54.0	52.0/56.0	52.0/56.0
NZ PLs PMs	—	—	—
PORK (all weights)	37.0/46.0	37.0/46.0	36.0/46.0
POULTRY—Broiler chickens	35.0/38.0	35.0/38.0	36.0/38.5

* London Egg Exchange price per 120 eggs. † Delivered. ‡ Unavailable. § For delivery November 11-18.

Earnings at Krupp Steel remain unsatisfactory

BY GUY HAWTIN

FRANKFURT, Nov. 16.

FRIED. Krupp Huettenwerke (FKH), the steel-making arm of the Krupp group, appears to have something to show, even if the showing has industrial rather than financial significance for the first nine months of the year. Volume sales were up 12 per cent compared with the same period of 1977, but cash turnover was slightly down because of a high level of exports.

Earnings during the first half year improved, but remained generally unsatisfactory. In the third quarter, they fell as a result of a decline in work and the subsequent reduction in production capacity.

Unfortunately, there was no real sign of a sustained economic improvement in the Federal Republic that might change the unsatisfactory situation of the steel market. The EEC Commission measures should, however, stabilise prices further.

Reviewing the industry as a whole, Krupp Steel in which Iran has a share of more than 25 per cent, said that the German industry had reported a drop in bookings after a promising start to the year, and that even after the holiday period there had been no real upturn.

Compared with the figures for the comparable period of 1977, the inflow of orders from the domestic market and customers in the European Economic Community showed a slight decline.

Bookings from third countries, on the other hand, had shown a marked increase.

Behind the weak demand from domestic West German customers lay a steep increase in imports. Foreign products, said the report, had been gaining a growing slice of the West German market — with the importers' share of the domestic rolled steel finished products market rising to a peak of 42 per cent in July.

Imports fro mthird countries, outside the EEC, had—thanks to the Community's measures—remained under the average volumes of 1977. However, they were still affecting price levels, and it seemed that the EEC's line was frequently not being observed.

During the period under review, imports had again started to increase, including those from other EEC countries. Within the Community itself, steel prices remained under pressure, while in contrast it had been possible to improve prices for exports to third countries. However, a large part of such price rises had been offset by the decline in the value of the dollar.

Bookings, compared with those during the first three quarters of 1977, were up by 12 per cent—as a result of particularly high export orders.

Kvaerner sees earnings drop

BY OUR OWN CORRESPONDENT

OSLO, Nov. 16.

THE KVAERNER shipbuilding and engineering group, of Norway, expects profits of about NKr 80m ($16m) in 1978, according to its eight months report. The figure includes NKr 16m from a property sale.

As forecast, this year's result is well below the record profit of NKr 169m achieved in 1977, but is regarded as satisfactory in view of current business conditions. Liquidity is also described as good, and liquid assets at the end of August totalled NKr 271m.

Turnover during the January-August period was NKr 1.16bn down by NKr 533m from the same period of last year, mainly because of delays in billing some larger orders. The total for the year is expected to be about the same as in 1977, when it reached NKr 2.4bn.

Orders booked during the first eight months were worth NKr 1.08bn slightly down from a year earlier, because few orders were booked by the concern's two shipyards. In October, however, Kvaerner received two contracts worth a total of NKr 2.2bn—the largest order in the concern's history—for elements of the second platform to be built for the Anglo-Norwegian Statfjord field.

The orders concerned the platform's steel deck, and the fitting out of its concrete shafts; they brought the total of orders booked this year, as of October 24, to NKr 3.36bn. This compares with contracts worth NKr 1.98bn concluded in 1977.

The report says that in general the market for Norway's heavy engineering industry was stagnant in the second four months of 1978. There were signs of a slight increase in investment activity, following moderate growth in the world economy and in world trade.

Landesbank opens London branch

BY MICHAEL BLANDEN

THE Bayerische Landesbank Girozentrale announced yesterday that with Bank of England permission it had upgraded its London office to full branch status.

The bank opened its first representative office in London in July last year, and the new branch is its only branch outside West Germany.

Commenting on the decision, Dr. Ludwig Huber, the chairman, said that London was the most important place for bankers in the world. The joint managers of the London branch are Dr. Wolfgang Nibler and Mr. Victor Stevens.

Rationalisation at PUK forces more redundancies

BY DAVID WHITE

PARIS, Nov. 16.

THE CHEMICAL branch of the French Pechiney-Ugine-Kuhlmann combine is to shed 700 workers in a further reorganisation of its production operations.

Produits Chimiques Ugine-Kuhlmann announced that its big plant at Aubervilliers near Paris would, as expected, be closed completely and activity at another plant near Marseilles sharply reduced.

The move follows a pact between the company and Pont-a-Mousson, part of the Saint-Gobain-Pont-a-Mousson conglomerate, to pool their interests in making plastic joints.

The activities of Ugine-Kuhlmann's Aubervilliers plant, including phosphorus derivatives, alkali and intermediate products for polyurethane, are to be transferred to three other factories.

Methyl chloride production at Estaque in the south of France is likewise being moved to another plant and sodium sulphate production there shall be discontinued.

The reorganistion fits into the company's policy of concentrating on certain sectors, particularly PVC, and of moving production away from sites which have proved uneconomical.

Research into plastics and resins is to be brought together into one operation at the company's Villers-Saint-Paul facilities north of Paris, where a new dye production unit is to be built.

The job reduction programme is planned principally through early retirement and non-replacement.

Renault-Bendix in plant link

BY OUR OWN CORRESPONDENT

PARIS, Nov. 16.

RENAULT, THE French state-owned motor group, and Bendix of the U.S., are to set up joint manufacturing facilities for electronic car components near Toulouse.

The two companies decided to link up in August, following several months of negotiations between the French company and U.S. interests, including specialists in the field of integrated circuits.

The joint company, in which Renault will have the controlling stake of 51 per cent, is to be called Renix Electronique, and will carry out research and production of electronic systems for motor vehicles. The Toulouse plant, to be built an an estimated cost of FFr 80m ($18.5m), will eventually employ about 450 people.

For Bendix, the joint venture with Renault replaces its French interest in more conventional car components. Its 51 per cent interest in the Ducellier group, held through a French subsidiary, DBA, recently passed into the effective control of the French Ferodo components concern under an agreement still being contested by the other shareholder, Lucas Industries of the UK.

Control of French bank for Dresdner

BY OUR OWN CORRESPONDENT

PARIS, Nov. 16.

DRESDNER BANK of West Germany is expected to acquire a controlling interest in a small French bank, Banque Veuve Morin-Pons, if terms of an agreement with the French holding company, Pricel are approved by the French authorities.

Pricel, a group with interests in textiles, chemicals, paper and other sectors, would keep a minority stake in the bank.

Banque Veuve Morin-Pons, based in Lyons, had a balance sheet total at the end of last year of just under FFr 1.4bn ($325m). Clients' deposits increased 18 per cent last year to FFr 859m.

The move is seen as part of Pricel's efforts to reorganise its holdings, and to make fresh investments in other companies in which it has major stakes.

Pricel's main holdings include 34.6 per cent in the paper maker, La Cellulose du Pin, and minor shares in the Rhone-Poulenc chemicals group and BSN-Gervais-Danone, the glass and foodstuffs conglomerate.

Ajman Bank will reopen in January with higher capital

BY KATHLEEN BISHTAWI

DUBAI, Nov. 16.

THE AJMAN Arab Bank, the closure of which in May, 1977 precipitated a banking crisis in the United Arab Emirates, is to reopen under a new name, with different shareholders in January next year, a spokesman for the new group said today.

The bank will have a new licence from the UAE Currency Board, and one of the largest capital bases of any banking institution in the UAE. Capital of the previous bank was DH10m (just over U.S.$2.8m), and with the establishment of the new operation, this has been raised to DH 100m (U.S.$20.8m).

Nearly 60 per cent of the bank's shares will be owned by prominent Saudi and Kuwaiti banking and finance houses. The remaining 40 per cent will be apportioned between UAE companies, UAE nationals and the Government of Ajman, the smallest emirate in the federation. It is believed that there has been fierce rivalry between the Saudi and Kuwaiti groups for larger stakes in the group, and final shareholdings will not be agreed upon until the end of this month.

The bank is being further aided to its feet by a long-term loan of U.S.$13m from the UAE President, Sheikh Zaid. The loan carries a low rate of interest and has a 25-year maturity.

The new bank will be taking over all local assets of the former Ajman Arab Bank, which includes three branches in the emirates of Ajman, Sharjah and Abu Dhabi. The new institution has also applied for two more offices in the country.

With the large capital base, the shareholders of the new group say they are hoping to establish a presence throughout the Gulf, and on the international scene. A representative office in London is also under consideration.

A spokesman for the new bank commented: "We felt we had to have a strong base, and start strongly in order to face the competition from the established local and foreign banks in the country." The bank is to have western, probably British, management.

There is a moratorium imposed by the Currency Board on new banks opening, since the 1977 crisis, and the board has sought to encourage some of the UAE's smaller local banks to merge or increase their capital bases.

Depositors are now being offered all their money back over a ten-year period, or 40 per cent in immediate cash.

The original shareholders of the old bank are also about to start what promises to be a lengthy legal case in Miami against the W.F.C. Corporation of Miami, which previously held 22 per cent of the bank's shares.

FOREIGN BANKS

Branching out in Hong Kong

BY ANTHONY ROWLEY IN HONG KONG

NO FEWER than 21 foreign banks have been granted licences in the past few months to operate as full banks in Hong Kong—although only on a single branch basis—and the waiting list for further registrations is believed to be lengthy. This follows the lifting of the 12-year moratorium or foreign banks opening branches in Hong Kong. Many of the banks involved are changing from a quasi-bank status

THERE IS rather more than Shakesperean rhetoric behind the question "what's in a name?" as far as foreign bank's operations here are concerned, as many of them have discovered to their cost during several years of operating incognito.

The 12-year long official moratorium on foreign banks opening branches in Hong Kong, which expired earlier this year, led to the growth of a secondary banking sector in which banks masqueraded as "deposit-taking companies" and where the word "bank" was clearly ruled out.

They soon discovered that one of the things in a name, at least if it happens to be the internationally-recognised name of your parent bank, is the ability to obtain business, particularly in the status-conscious foreign-exchange and international loan markets. That is why the rush to open full branches is on, now that the moratorium is ended.

No fewer than 21 foreign banks have been granted licences in the past few months to operate as full banks, albeit from a single branch only, and the waiting list for further registrations is believed to be lengthy. Many of the banks involved are changing from quasi-bank to full bank status although some are expected to continue operating as deposit-taking companies as well as banks.

The origins of the curious story of how banks came to be able to operate as banks in all but name—and of how those which did not happen to have the word "bank" in their name came off best—goes back to 1976, some ten years after the moratorium was introduced.

The 1966 moratorium was designed to prevent Hong Kong from becoming over-banked and to stave off further bank failures, such as that of Canton Trust in 1965. After that the authorities toyed with idea of allowing "limited-licence" banks, but finally decided against it.

Instead they opted to allow banks to carry out most, though not all, the functions of banking under the guise of finance companies, registered under the Deposit Taking Companies Ordinance, 1976, instead of the Banking Ordinance of 1964.

While many of the deposit-taking companies—there are now 239 here—were straightforward finance companies offering property mortgages, consumer loans and so on, a great many more were institutions carrying on high finance in the shape of wholesale banking, onshore and offshore.

The stipulation that they could not operate current accounts or take deposits below HK$50,000 meant they were, in theory at least, sealed off from the general public, in whose interest the moratorium had been designed. The fact that foreign banks which did not have the word "bank" in their title—say Credit Lyonnais or Manufacturers Hanover Trust for instance—could establish full branches under the Deposit Taking Companies Ordinance soon led to a major anomaly.

Foreign banks which did have the word "bank" in their title or any derivative of it (which means just about all banks, including even the Bankers Trust, which got caught halfway) had to register local subsidiaries under the ordinance. For instance, Chemical Bank became Chemical Finance HK, and Bankers Trust became BT Asia.

The distinction was more than academic. Branches which had the assets of their parents behind them were able to embark upon more adventurous lending policies than their locally-incorporated counterparts, who needed guarantees or "comfort letters" from their head offices in order to enjoy similar support, and even this had to be done on a loan-by-loan basis.

Hong Kong found that the problem was not all on the bank's side, too. When agreement was reached a few years ago under the auspices of the Bank for International Settlements that the monetary authority of a country in which a bank or financial institution is incorporated should be responsible for the worldwide branches of that institution, the implications of Hong Kong's policy became apparent.

By compelling foreign banks to incorporate local subsidiaries rather than set up full branches, Hong Kong was in danger of depriving itself of the protection it could enjoy from countries within the agreement. By reversing its policy in this respect, the Colony thus ends this anomaly as well as the problems over the prohibition on calling a bank a bank.

The deposit taking companies have grown very rapidly, to the point where their total foreign currency loans as of April 1977 (latest available figure) matched those of the then 74 licensed banks (there are now around 95), at around HK$15bn, while, at HK$25bn, their total assets were around a third of the banks' total assets.

Hong Kong is demanding a quid pro quo from the monetary authorities of countries whose banks want to open branches in the Colony. First, those authorities must exercise "effective supervision" over their banks (ironically the New York Federal Reserve is currently probing the effectiveness of Hong Kong's own banking supervision before allowing Hongkong and Shanghai Banking Corporation to take over Marine Midland Banks), and secondly there must be some reciprocity towards Hong Kong banks. Banks applying to open in Hong Kong must also be of a "substantial size" and have "total assets, net of contra items" of at least U.S.$3bn or the equivalent.

So, what appears to be a banking stampede to Hong Kong at present should be seen more as a banking metamorphosis, albeit that the prospect of lending on some major infrastructure projects here, as well as prospective lending to China will continue to attract some new entrants.

The Financial Secretary, Mr Philip Haddon-Cave, has made it clear that he does not want to precipitate a rush of foreign banks to the Colony. "We are not actively seeking to encourage more banks to come to Hong Kong, but simply to allow the more reputable of those who have come, and are coming, to operate as full branches rather than as finance companies," he says. His decision to impose a 17 per cent tax on offshore interest profits earlier this year should help temper any banking boom. There is already strong evidence that it has cut the volume of offshore lending from the Colony significantly.

Gadsden to buy ACI can-making interest

By James Forth

SYDNEY, Nov. 16.

PACKAGING groups, Australian Consolidated Industries and J. Gadsden Australia have agreed upon a major rationalisation of the can manufacturing industry. ACI will sell a 54 per cent interest in its two-piece can making operations to Gadsden.

ACI however, has had nothing but trouble with two-piece cans since it first joined with Daiwa Can of Japan in 1973 to establish Pacific Can. ACI had a 51 per cent interest and Daiwa Can. The venture was unprofitable from the start and ran up heavy losses before Daiwa sold out to ACI three years ago for A$1m in cash and 1.5m ACI shares.

The deal involves an unstated amount of cash and 1.5m shares, issued at A$3.20, or a value of A$4.8m (US$5.51m), compared with the present market price of A$2.68.

While both ACI and Gadsden are involved in other areas of packaging, Gadsden has the greater experience and expertise in can making. The deal switches Pacific Can over to a subsidiary of Gadsden. It will also give ACI a 6.4 per cent equity in Gadsden, making it the second largest shareholder.

Japanese steel concern upturn

TOKYO, Nov. 16.

SUMITOMO Metal Industries, the Japanese steel concern, has announced a rise of 88 per cent in after-tax profit to Y3.89bn ($20.7m) in the first half of the financial year, from Y2.07bn in the same period last year.

However, the outcome will depend largely on the dollar-yen exchange rate and export sales to the U.S., according to the company.

Sales in the first-half were little changed, at Y494.48bn ($2.6bn).

Earnings per share was up to Y1.72 from Y0.92.

Reuter

Nissho-Iwai profits soar

TOKYO, Nov. 16.

NISSHO-IWAI COMPANY, the Japanese trading house, has announced that its net profit for the half-year to September 30 rose 70.5 per cent to Y2.52bn ($13.4m), from Y1.48bn.

Sales, however, fell 6.8 per cent to Y2.08 trillion (million million), equivalent to $11bn, from Y2.23 trillion.

The company predicted that its net profits for the current fiscal year, ending on March 31, would reach Y4.5bn, to show a gain of 92 per cent over the previous year's Y2.34bn. Sales for the year are expected to be about Y4.3 trillion, up slightly from Y4.283 trillion.

AP-DJ

Writ against Moscow Narodny

BY JAMES BARTHOLOMEW

MR. AMOS DAWE, the Far Eastern financier, facing fraud charges in California, has issued a US$ 32m writ against Moscow Narodny Bank, the Russian-owned bank based in London.

Mr. Dawe is seeking a high court injunction to stop Moscow Narodny Bank selling over 16m shares in Consolidated Hotels, a Singapore company. He claims that the shares belong to him.

He is also claiming damages of approximately U.S.$32m for breach of a loan agreement. The Russian-owned bank agreed to lend him money to help him buy a majority stake in Consolidated Hotels, he claims. But the Bank allegedly let him down and he was only able to buy a minority stake. Damages are also being claimed for wrongful retention of Consolidated Hotels shares by MNB. Dawe alleges that the bank agreed to lend the company funds for development once he had acquired control of it.

Also named in the writ as defendants are Liem Hong Chong, Liem Siew Poh, Y. T. Chou, Premium Estates and George Chow.

This latest writ is one of several outstanding against Moscow Narodny Bank. They have arisen out of a rapid expansion of the bank's loan book in the early 1970s from its Singapore branch. MNB has since foreclosed on many of its clients and some of them are suing for damages.

Mr. Dawe has another writ against MNB outstanding in London. This one claimed that the bank had broken an agreement to procure continuing finance for Mr. Dawe's purchase of the Peninsular National Bank of Burlingame, California.

Mr. Dawe is currently in California where he faces charges of having defrauded and conspired to defraud this bank and two other Californian banks.

Nedbank assets growth

BY RICHARD ROLFE

JOHANNESBURG, Nov. 16.

NEDBANK GROUP, which ranks among the big four South African banks, shows in its annual report that total assets on the consolidated balance sheet rose from R2.8bn to R3.3bn ($3.8bn) in the year ended September 30, and shareholders funds from R188m to R206m, of which R8m was the interest of outside shareholders in subsidiaries.

But with deposit and other accounts up from R2bn to R2.3bn, the bank, in the words of the chief executive Mr. G. S. Muller, is "the most underlent we have even been—in common with the others." Against the 1:16 ratio between shareholders funds and deposits and other accounts permitted under local banking legislation, Nedbank's present ratio is a conservative-looking 1:11.

Attributable income last year rose from R31.6m to R36.7m ($42.2m) and the dividend was raised from 18 cents to 21 cents. Despite the general drift in the stock market since the preliminary figures, the shares have held up, and at 290 cents yield 7.2 per cent.

Though the board makes no forecast for the current year, it is clear that further progress will depend to some extent on stimulus to the economy, where, Mr. Muller said last night, "there is evidence that the recovery is subsiding."

Ultramar Company Limited

Translating strength into success

Review of Operations and Results for the nine months to 30th September 1978

Financial results

Operating profit before taxation for the nine months to 30th September 1978 amounted to £26,703,000 compared with £15,407,000 for the corresponding period of 1977. After deducting current and deferred taxation, the operating profit after taxation for the nine months came to £11,341,000 compared with £8,092,000 last year. Foreign exchange fluctuations had a severe adverse non cash effect in the third quarter and after giving effect to these charges and to preference dividends and ACT written off, earnings attributable to ordinary shareholders were £4,968,000 compared with £5,209,000 for the nine months to 30th September 1977. Cash flow from operations at £20,929,000 was the highest in the history of the Ultramar Group for any nine month period.

Indonesian operations were the major contributor to the Group profit and cash flow. The Eastern Canadian refining and marketing division incurred losses but to a large extent these were due to the weakening of the Canadian dollar when measured against the US dollar and other currencies.

Canadian Fuel Marketers Limited

We have submitted the necessary application to the Canadian Foreign Investment Review Agency to seek approval of our acquisition of Canadian Fuel Marketers Limited. The latter is a large and successful petroleum product marketing organisation selling in excess of 70,000 barrels per day, mainly in the provinces of Ontario and Quebec. We expect a response to our application in December.

Exploration and production

A continuous drilling programme is being carried out in Indonesia and also in Western Canada. The Indonesian drilling results have been successful but our Western Canadian exploration drilling has been disappointing to date. There was no drilling in the North Sea during the third quarter, but the tempo of activities is expected to pick up later this year when we will participate in the sixth round of bidding and possibly begin development of the Maureen Field. In 1979 we will begin exploration drilling in Egypt.

Outlook for last quarter

We expect results for the last quarter to be at least as good as the average of the first three quarters. The year 1978 will have the highest cash flow from operations and operating profit in the history of the Ultramar Group. The effect of foreign exchange fluctuations is not predictable. Since 30th September the US dollar has improved against the Swiss franc and the Canadian dollar has improved against the US dollar. Hopefully, this improvement will continue and the large provision for foreign exchange fluctuations necessary at 30th September will not be required wholly at the year end.

16th November, 1978 *Campbell L. Nelson*

Group Results for the nine months to 30th September 1978

Consolidated financial results

		first nine months 1978 £000		first nine months 1977 £000		Year 1977 £000
Sales		£414,294		£351,348		£472,652
Profit on trading		36,305		20,971		33,126
Amortisation, depreciation, depletion and amounts written off		9,602		5,564		8,417
Operating profit before taxation		26,703		15,407		24,709
Taxation on operating profit:						
Current	10,689		2,421		3,632	
Deferred	4,673		4,894		8,479	
		15,362		7,315		12,111
Operating profit after taxation		11,341		8,092		12,598
Foreign exchange fluctuations—loss	6,103		3,444		5,615	
Less: Tax effects	903		1,355		1,492	
		5,200		2,089		4,123
Profit after taxation and foreign exchange fluctuations		6,141		6,003		8,475
Convertible Redeemable Preferred Shares dividend	786		794		1,059	
Advance Corporation Tax written off	387				—	
		1,173		794		1,059
Earnings attributable to Ordinary Shareholders		£4,968		£5,209		£7,416
Cash flow from operations		£20,929		£16,931		£26,741
Earnings per Ordinary Share (before foreign exchange fluctuations)						
Basic		24.4p		17.6p		27.8p
Fully diluted		22.9p		16.4p		25.5p

Consolidated statement of source and application of funds

		first nine months 1978 £000		first nine months 1977 £000
Source of funds				
From operations:				
Operating profit after taxation		11,341		8,092
Amortisation, depreciation, depletion and amounts written off		9,602		5,564
Deferred taxation on trading profits		4,673		4,894
Indonesian debt service equalisation (Note 4)		(6,238)		(1,806)
Loss on sale of fixed assets		1,551		187
Cash flow from operations		20,929		16,931
From other sources:				
Long term portion of US$75 million loan raised	31,061			
Less: prepayment of existing US$25 million loan	9,596			
		21,465		816
Proceeds on disposal of fixed assets		1,652		1,175
Miscellaneous items		361		58
		£44,407		£18,980
Application of funds				
Acquisition of subsidiary companies		—		1,562
Additions to fixed assets		16,573		10,328
Capital expenditures		16,573		11,890
Proportion of long term debt now due in one year		2,484		5,314
Exchange adjustments due to currency realignments		621		469
Convertible Redeemable Preferred Shares dividend	786		794	
Add: Advance Corporation Tax	387		409	
		1,173		1,203
Increase in working capital		23,556		104
		£44,407		£18,980
Working capital as at 30th September 1978		£32,866		£4,241
Long term *loans at 30th September 1978*		£74,411		£63,176

Notes to Group Results

1. Group operating profits are largely in US and Canadian dollars.

2. The loss on foreign exchange fluctuations of £5,200,000 during the nine months to 30th September 1978 relates almost entirely to long-term loans of individual companies repayable over the years to 1993, and is due to the fall in values of the Canadian dollar against the US dollar and the US dollar against the Swiss franc since the beginning of the year.

3. Translation and conversion exchange rates used by the Group are:

	30.9.78	30.9.77	31.12.77
£1 equals US$	1.98	1.75	1.92
£1 equals Can.$	2.34	1.88	2.10
US$1 equals Can.$	1.18	1.07	1.09
US$1 equals Sw.Fr.	1.54	2.33	1.98

4. The Group's entitlement to income from Indonesian LNG sales is included in the profit and loss account after deducting transportation, liquefaction costs and debt service on the loans raised by Pertamina to finance the whole of the construction cost of the Badak LNG Plant which is operated on a break even basis. In order to match income with these deductions, the Group's entitlement is adjusted to reflect an equal annual charge for debt service rather than the uneven repayment schedule established for the loans, all of which are repayable within a 12 year period starting in 1977. Effectively, therefore, the cost of the plant will be fully amortised by the end of 1989.

Operating results

	first nine months 1978	first nine months 1977
Sales of oil (barrels per day)	202,700	172,100
Oil refined (barrels per day)	97,800	108,500
Oil produced (barrels per day)	9,800	6,900
Gas produced (thousands of cubic feet per day)	202,800	38,500
Gross wells drilled	30	16
Oil and gas wells completed (in which the Group has varying interests)	16	15

Notes to operating results

1. There were substantial purchase and sale transactions in the crude oil market during the first nine months of 1978. This is the principal reason for the rise in the volume of sales of oil.

2. The Group's share of gas produced in Indonesia throughout the nine months is the reason for the marked increase in gas production compared with the equivalent period last year.

Ultramar

2 Broad Street Place, London EC2M 7EP

APPOINTMENTS

APPOINTMENTS WANTED

COMPANY NOTICES

COMPANIA DE ELECTRICIDAD DE LA PROVINCIA DE BUENOS AIRES, LIMITED
(In Members' Voluntary Liquidation)

Registered Office 8, St. Bride Street, London, EC4A 4DA.
Registered in England No. 117118.

IN THE MATTER of the Companies Act 1948 and in the matter of Compania de Electricidad de la Provincia de Buenos Aires, Limited (In Members' Voluntary Liquidation).

NOTICE IS HEREBY GIVEN pursuant to Section 289 of the Companies Act 1948 that a General Meeting of the members of the above named company will be held at Hotel Mons, Place de la Gare, Luxembourg (Grand-Duchy of Luxembourg) on Tuesday, 12th December 1978 at 11.30 o'clock for the purpose of receiving an account of the Liquidators' acts and dealings and of the conduct of the winding up to date.

F. N. HOOGEWERF
K. U. SANNE
Joint Liquidators

43 Rue Goethe
Luxembourg,
(Grand-Duchy of Luxembourg).
17th November, 1978

NOTES

1. A Member entitled to attend and vote at the above-mentioned meeting is entitled to appoint one or more proxies to attend and, upon a poll, vote instead of him. A proxy need not also be a member.
2. Forms of proxy for use at the meeting must be deposited with Binder Dijker Otte S.A., 43, Rue Goethe, Luxembourg (Grand-Duchy of Luxembourg), not late than 4 o'clock in the afternoon of 11th December 1978.
3. Holders of Share Warrants to Bearer will be admitted to the Meeting on presenting a Certificate that they have deposited their Warrants in accordance with the Articles of Association at least two clear days before the day of the Meeting with Banque Belge Limited, 4, Bishopsgate, London, E.C.2 or some other Authorised Depositary* in the United Kingdom or the Channel Islands or with one of the following Depositaries in Belgium or Luxembourg:—

BELGIUM: Societe Generale de Banque, 3 Montagne du Parc, Brussels.
GRAND-DUCHY OF LUXEMBOURG: Credit Industriel d'Alsace et de Lorraine, 103, Grand rue, Luxembourg

A duly completed Certificate of Deposit must be produced by the holder of Share Warrants to Bearer attending in person at the meeting or must accompany the Form of Proxy if the Holder desires to vote by a proxy.

Certificates of Deposit (incorporating a form of proxy) may be obtained at the offices of Binder Hamlyn, 8 St. Bride Street, London EC4A 4DA, and Binder Dijker Otte S.A., 43 Rue Goethe, Luxembourg (Grand-Duchy of Luxembourg) or any of the above-mentioned Banks in Belgium or Luxembourg during usual business hours on any weekday prior to the day of the meeting.

*Authorised Depositaries are listed in Appendix II of the current issue of the Bank of England's Notice E.C.1 and include Banks and Stockbrokers in and Solicitors practising in the United Kingdom or the Channel Islands. If not included by name in the list of Authorised Depositaries the classification under which they are included must be stated.

THE RIO TINTO-ZINC CORPORATION LIMITED

NOTICE

To holders of Warrants to Bearer

ORDINARY SHARES OF 25P EACH
NOTICE IS HEREBY GIVEN that an Interim dividend of 3.5p per Share will be paid on the 2nd January, 1979 in respect of the year ending 31st December, 1978.

Payment of this dividend will be made after presentation of Coupon No. 36 at any of the undermentioned offices of payment.

5.5% "B" CUMULATIVE PREFERENCE SHARES OF £1 EACH
NOTICE IS HEREBY GIVEN that a dividend of 1.75p per Share will be paid on the 2nd January, 1979, in respect of the half-year ending 31st December 1978.
Payment of this dividend will be made after presentation of Coupon No. 33 at any of the undermentioned offices of payment.

OFFICES OF PAYMENT

The Rio Tinto-Zinc Corporation Limited, (Registered Office), 6 St. James's Square, London SW1Y 4LD.
Banque Rothschild, 21 Rue Laffitte, 75009 Paris, France.
Societe General de Banque, 3 Montagne du Parc, 1000 Brussels, Belgium.
Banque Internationale A Luxembourg S.A., 2 Boulevard Royal, Luxembourg.
Union Bank of Switzerland, Bahnhofstrasse 45, CH 8021 Zurich, Switzerland.
The Rio Tinto-Zinc Corporation Limited, (Transfer Office), Central Registration Limited, 1 Redcliff Street, Bristol BS1 6NT.
Banque Bruxelles Lambert S.A., 2 Rue de la Regence, 1000 Brussels, Belgium.
Banque Generale du Luxembourg S.A., 14 Rue Aldringen, Luxembourg.
Societe de Banque Suisse, CH 4002 Basle, Switzerland.
Credit Suisse, Paradeplatz 8, CH 8021 Zurich, Switzerland.

Under the imputation tax system in force in the United Kingdom these dividends will be payable without deduction of United Kingdom tax and for Shareholders resident in the United Kingdom, will carry a tax credit calculated by reference to the basic rate of income tax applicable at the date of payment. Where a double tax agreement so provides, Shareholders resident outside the United Kingdom will obtain a tax credit, against which some United Kingdom tax may fall to be offset.

Coupons, which must be listed on special forms, which can be obtained on or after Monday, 27th November, 1978, at any of the above offices, may be deposited on or after Monday, 4th December, 1978. Coupons presented for payment in the United Kingdom must be left FIVE CLEAR DAYS for examination.

Shareholders should note that under the Company's Articles of Association adopted on 20th May, 1970, provision is made for the forfeiture of the above dividends if not claimed within 12 years from the 20th September, 1978.

By Order of the Board.

D. A. STREATFEILD, Secretary.

6 St. James's Square,
London SW1Y 4LD.
17th November, 1978.

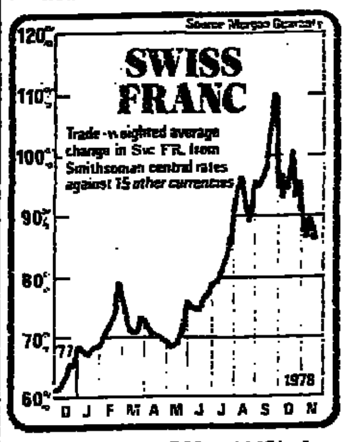
PLANT AND MACHINERY

Currency, Money and Gold Markets

Dollar up on OECD reports

Reports from Paris by the Organisation for Economic Co-operation and Development on the world's major economies boosted the dollar in late trading yesterday. Japan and Germany are both expected to experience reduced balance of payments surpluses next year, and this, coupled with statements from President Carter and the chairman of the Federal Reserve, was very helpful to the U.S. currency. Any intervention by central banks was on a very small scale yesterday.

The dollar closed in London at or near its firmest level of the day, rising to DM 1.9227½ from DM 1.8935 against the D-mark, and to SwFr 1.6815 from SwFr 1.6395 in terms of the Swiss franc.



There was also a sharp rise against the Japanese yen, following the OECD report, and earlier news that Japan's trade surplus was sharply reduced last month. The dollar finished at Y194.10, compared with Y189.80 on Wednesday.

The rate against the Belgian commercial franc rose above 30 francs once again, but eased slightly, to close at BFr 29.97½, compared with BFr 29.67½ previously, while the dollar also rose sharply against the French franc, to finish at FFr 4.3825, compared with FFr 4.3375 previously.

The dollar's trade-weighted depreciation, as calculated by Morgan Guaranty of New York, narrowed to 8.7 per cent from 9.3 per cent.

Sterling opened at $1.9600, and touched a best level of $1.9635 in early trading. By mid-day the pound fell to $1.9600 once again, and declined to a low point of $1.9300 as the dollar improved in the late afternoon. Sterling closed at $1.9515-1.9525, a fall of 1.60 cents on the day.

The pound's trade-weighted index, on Bank of England figures, eased to 62.4 from 62.5, after standing at 62.5 at noon and in early trading.

NEW YORK—The Swiss franc, Japanese yen, and D-mark all lost ground against the very firm dollar in early trading. Trading was fairly active, with the U.S. currency sustaining its strength over the earlier part of this week. The statement by Mr. G. William Miller, chairman of the Federal Reserve, on the growth of money supply was interpreted as an indication of Washington's strong resolve to fight inflation.

AMSTERDAM—In late trading the dollar rose to Fl 2.0640, from its fixing level of Fl 2.0580 against the guilder. Wednesday's fixing level was Fl 2.04550.

FRANKFURT—The dollar rose to *DM 1.9028 against the Deutsche Mark* at the fixing, from DM 1.8920 previously. The Bundesbank did not intervene at the fixing. The U.S. currency continued to improve, rising above DM 1.9100 in the late afternoon, while the gain in terms of the Swiss franc was even more pronounced. Bundesbank intervention was suspected at some time during the day.

MILAN—The dollar remained firm against the lira at yesterday's fixing, rising to *L844.55* from L840.55. The Bank of Italy sold $10m of the $18m traded officially, but this did not affect the dollar's strength. Major European currencies were generally weaker in terms of the lira as the dollar rose.

ZURICH—The dollar remained firm during the morning without any sign of central bank support. Switzerland's trade surplus in October fell to SwFr 14.9m from SwFr 122.3m in September. The *U.S. currency rose to SwFr 1.6545* by mid-morning, from an early rate of SwFr 1.6520, and continued to rise to SwFr 1.6775 in the afternoon.

TOKYO—News of the fall in Japan's trade surplus in October came too late to affect trading, but the dollar improved to Y191.35 against the yen at the close, from Y190.05 on Wednesday. The U.S. currency opened at Y191.50, and touched a high point of Y192.40 during the day, the firmest level since mid-September. The threat of central bank intervention was put forward as the main factor underpinning the dollar. Spot volume totalled $515m.

THE POUND SPOT

Nov. 16	Bank rate %	Day's Spread	Close
U.S. $	9½	[illegible]	[illegible]
Canadian $	10½	[illegible]	[illegible]
Guilder	6½	[illegible]	[illegible]
Belgian F	6	[illegible]	[illegible]
Danish K	8	[illegible]	[illegible]
D-Mark	3	[illegible]	[illegible]
Port. Esc.	18	[illegible]	[illegible]
Span. Pes.	8	[illegible]	[illegible]
Lira	11½	[illegible]	[illegible]
Nrwgn. K	7	[illegible]	[illegible]
French Fr.	9½	[illegible]	[illegible]
Swedish Kr	6½	[illegible]	[illegible]
Yen	3½	[illegible]	[illegible]
Austria Sch.	4½	[illegible]	[illegible]
Swiss Fr.	1	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible].

FORWARD AGAINST £

	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Six-month forward dollar [illegible]. 12-month [illegible].

THE DOLLAR SPOT

November 16	Day's spread	Close
Canada $	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
Belgian Fr	[illegible]	[illegible]
Danish Kr	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]
Port. Esc	[illegible]	[illegible]
Span. Pta	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Nrwgn. Kr	[illegible]	[illegible]
French Fr	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]
Yen	[illegible]	[illegible]
Austria Sch	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]

* U.S. cents per Canadian $.

FORWARD AGAINST $

	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY RATES

November 16	Special Drawing Rights	European Unit of Account
Sterling	[illegible]	[illegible]
U.S. dollar	[illegible]	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish krone	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]
Norwegian krone	[illegible]	[illegible]
Peseta	[illegible]	[illegible]
Swedish krona	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]

CURRENCY MOVEMENTS

November 16	Bank of England Index	Morgan Guaranty changes %
Sterling	[illegible]	[illegible]
U.S. dollar	[illegible]	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish kroner	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

Nov. 16	£	$		Note Rates
Argentina Peso	[illegible]	[illegible]	Austria	[illegible]
Australia Dollar	[illegible]	[illegible]	Belgium	[illegible]
Finland Markka	[illegible]	[illegible]	Denmark	[illegible]
Brazil Cruzeiro	[illegible]	[illegible]	France	[illegible]
Greek Drachma	[illegible]	[illegible]	Germany	[illegible]
Hong Kong Dollar	[illegible]	[illegible]	Italy	[illegible]
Iran Rial	[illegible]	[illegible]	Japan	[illegible]
Kuwait Dinar (KD)	[illegible]	[illegible]	Netherlands	[illegible]
Luxembourg Franc	58.43-58.55	29.90-29.95	Norway	[illegible]
Malaysia Dollar	4.2940-4.3040	2.2[illegible]-2.20[illegible]	Portugal	90-100
New Zealand Dollar	1.8c05-1.8595	0.9439-0.9[illegible]	Spain	140-150
Saudi Arabia Riyal	6.47-6.57	3.3145-3.3658	Switzerland	3.28-3.30
Singapore Dollar	4.29-4.30	2.1945-2.1965	United States	1.95-1.96
South African Rand	1.6936-1.7196	0.8676-0.8809	Yugoslavia	42-44

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

Nov. 16	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.952	3.735	379.5	8.553	3.288	4.038	1650	2.294	58.50
U.S. Dollar	0.512	1.	1.913	194.4	4.381	1.682	2.068	845.0	1.175	29.97
Deutsche Mark	0.268	0.523	1	101.6	2.290	0.879	1.081	441.8	0.614	15.66
Japanese Yen 1,000	2.635	5.144	9.842	1000.	22.54	8.650	10.64	4347.	6.043	154.2
French Franc 10	1.169	2.282	4.367	443.7	10	3.838	4.721	1929	2.682	68.40
Swiss Franc	0.305	0.595	1.138	115.6	2.605	1.	1.230	502.5	0.699	17.82
Dutch Guilder	0.248	0.483	0.925	93.99	2.118	0.813	1.	408.5	0.568	14.49
Italian Lira 1,000	0.606	1.183	2.264	230.1	5.185	1.990	2.448	1000.	1.390	35.47
Canadian Dollar	0.436	0.851	1.629	165.5	3.729	1.431	1.760	719.2	1.	25.51
Belgian Franc 100	1.709	3.337	6.385	648.7	14.62	5.611	6.902	2820	3.921	100.

EURO-CURRENCY INTEREST RATES*

Nov. 16	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	11½-11⅞	8⅝-9⅞	8½-9½	8-8¼	[illegible]	1⅝-1⅝	6¾-7	12-16	—	[illegible]
7 day's notice	12½-13	[illegible]	8½-9½	8-8¼	[illegible]	1⅝-1⅞	6⅞-7⅛	12-14	9⅞-10⅛	[illegible]
Month	12⅞-13	10⅛-10⅜	9-10	7¾-8	[illegible]	2⅝-2⅞	7-7¼	14-15	10⅛-10⅜	[illegible]
Three months	13⅜-13⅝	11-11[illegible]	10-11[illegible]	8-8¼	[illegible]	[illegible]	8⅜-8⅝	15-16	11⅛-11¼	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16-17	12-12⅛	2⅝-2¾
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16½-17½	11⅛-11⅜	3⅛-3½

The following nominal rates were quoted for London dollar certificates of deposit: one month [illegible] per cent; three months 11.20-11.30 per cent; six months 11.35-11.45 per cent; one year 11.45-11.55 per cent.

Long-term Eurodollar deposits: Two years 10[illegible]-10[illegible] per cent; three years 10⅛-10⅜ per cent; four years 10⅛-10⅜ per cent; five years 10⅛-10⅜ per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates for closing rates in Singapore.

INTERNATIONAL MONEY MARKET

U.S. rates mixed

Interest rates were generally mixed yesterday with 13-week Treasury bills up from 8.02 per cent late on Wednesday to 8.05 per cent, 26-week bills eased *however to 8.97 per cent from* 9.02 per cent. One-year bills were quoted at 8.97 per cent from 9.02 per cent.

Opinions vary in the market, but it would appear that a slight upturn in demand for paper may well reflect an improvement in sentiment over the recent measures announced by President Carter to support the dollar. Certificates of deposit were quoted at 10.1 per cent for one-month, 10.35 per cent for two-month and 10.75 per cent for three-month.

FRANKFURT—Where changed, interbank money market rates were easier. Call money fell to 1.8-1.9 per cent from 2.0-2.2 per cent, while the one-month rate was unchanged at 2.9-3.1 per cent. Three-month money was quoted at 3.75-3.85 per cent and the six-month rate eased to 3.85-3.95 per cent from 3.95-4.05 per cent. 12-month money was unchanged at 4.15-4.25 per cent. At the routine fortnightly meeting, the Bundesbank announced that there was no change in its credit policies. However, earlier in the week there was speculation that the authorities were considering moves to reduce excess liquidity, which was somewhat nullified by their decision to sell DM 2.25bn in Treasury bills which in fact attracted bids of around DM 4bn.

AMSTERDAM — Interest rates showed a slightly firmer tendency with call money at 8-8½ per cent from 8-8¼ per cent and one-month rising to 8¼-8¾ per cent compared with 8-8¼ per cent. The three-month rate was quoted at 8¼-8⅝ per cent against 8-8¼ per cent, while the six-month rate firmed to 8-8¼ per cent from 7¾-7⅞ per cent.

BRUSSELS — Deposit rates for the Belgian franc (commercial) showed little change with one-month deposits at 8¾-8⅞ per cent against 8¾-9 per cent and a three-month rate of 8½-8⅝ per cent compared with 8⅜-8⅝ per cent. Six-month deposits were quoted at 8½-8⅝ per cent from 8¼-8⅜ per cent while the 12-month rate stood at 8¼-8⅜ per cent against 8¼-8⅜ per cent.

PARIS — Interest rates were generally static with call money unchanged at 7⅛ per cent and the 12-month rate unchanged at 8-8⅛ per cent.

HONG KONG — Conditions in the money market were generally easy with call money at 9⅞ per cent and overnight business dealt at 8 per cent.

UK MONEY MARKET

Small assistance

Bank of England Minimum Lending Rate 12½ per cent (since November 9, 1978)

Discount houses found themselves with a slight surplus of funds in yesterday's money market and the Bank of England sold a small amount of Treasury bills all direct to the houses as a result. Most houses appeared to be quite comfortable after the official intervention with secured call loans fetching between 11 per cent and 12 per cent for most of the day. However not everyone was so fortunate and in the interbank market closing balances were commanding up to 14 per cent. Overnight money rates opened at 11¾-12 per cent and eased to 11½-11¾ per cent. Trading for most of the day took place between 11 per cent and 11¾ per cent before rising towards the close.

Banks brought forward balances a little way above target and there was a small excess of Government disbursements over revenue transfers to the Exchequer. There was also a modest fall in the note circulation. On the other hand funds were drained on a small net take up of Treasury bills and corporation bills. In the absence of any announcement, Bank of England minimum lending rate was unchanged at 12½ per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

Nov. 16 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills	Eligible Bank Bills	Fine Trade Bills
Overnight	—	11-14	—	—	—	11	11-12	—	—	—
2 days notice	—	—	11¾-12	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	12	—	—	—	—
7 days notice	—	11¾-12	11⅞-12⅛	—	12¼	—	11⅛-11¾	—	—	—
One month	12[illegible]-12[illegible]	12[illegible]-12¼	11⅞-12⅛	12-12¼	12⅝	12[illegible]	11⅞	11[illegible]-11[illegible]	12[illegible]-12⅛	12⅛
Two months	12¼-12[illegible]	12-12[illegible]	—	12-12⅝	12⅝	12⅝	11⅞	11[illegible]-11¾	12[illegible]	12⅝
Three months	12¼-12[illegible]	12¼-12⅜	12⅛-12¼	11¾-12⅛	12¾	[illegible]	[illegible]	[illegible]	[illegible]	12⅝
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
Two years	—	—	[illegible]	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. Longer-term local authority mortgage rates nominally three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent. Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills [illegible] per cent; four-month trade bills [illegible] per cent. Approximate selling rates for one-month Treasury bills [illegible] per cent; two-month [illegible] per cent; three-month [illegible] per cent. Approximate selling rate for one-month bank bills [illegible] per cent; two-month [illegible] per cent and three-month [illegible] per cent; one-month trade bills [illegible] per cent; two-month [illegible] per cent; and also three-month [illegible] per cent.

Finance House Base Rates (published by the Finance Houses Association) [illegible] per cent from November 1, 1978. Clearing Bank Deposit Rates for small sums at seven days' notice [illegible] per cent. Clearing Bank Base Rates for lending 12½ per cent. Treasury Bills: Average tender rates of discount 11.[illegible] per cent.

GOLD

Further fall

Gold fell $7⅝ to close at $195¾-196¼ in active trading. Conditions were very hectic in the morning, when the metal was fixed at $179.10, the first fixing below $200 since August 20. Trading was also active in the afternoon, when the New York market opened. The lowest level touched was $195-196.

	Nov. 16	Nov. 15
Gold Bullion (a fine ounce)		
Close	$195¾-196¼	$203¼-204¼
Opening	$201¼-202¼	$208¾-207¼
Morning fixing	$197.10 (£100.882)	$207.00 (£105.156)
Afternoon fixing	$195.30 (£100.184)	$204.15 (£103.708)
Gold Coins domestically		
Krugerrand	$201½-203½ (£103-104)	$208-211 (£106½-107½)
New Sovereigns	$54½-55½ (£28-29)	$57-59 (£29-30)
Old Sovereigns	$58½-60½ (£30-31)	$59½-61 (£30½-31½)
Gold Coins internationally		
Krugerrand	$201½-203½ (£103-104)	$209-211 (£106½-107½)
New Sovereigns	$54½-56½ (£28-29)	$57-59 (£29-30)
Old Sovereigns	$58½-60½ (£30-31)	$59½-61 (£30½-31½)
$20 Eagles	$255-258	$281½-284½
$10 Eagles	$158-159	$144-147
$5 Eagles	$102-105	$100-105

In Paris the 12½ kilo gold bar was fixed at FFr 28,010 per kilo ($199.91 per ounce) in the afternoon, compared with FFr 28,000 ($200.02) in the morning, and FFr 29,100 ($208.52) Wednesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 12,170 per kilo ($198.34 per ounce) compared with DM 12,635 ($207.56) previously.

MONEY RATES

NEW YORK

Prime Rate	10¾-11
Fed Funds	9.6875
Treasury Bills (13-week)	8.05
Treasury Bills (26-week)	8.97

GERMANY

Discount Rate	3
Overnight	[illegible]
One month	[illegible]
Three months	[illegible]
Six months	[illegible]

FRANCE

Discount Rate	[illegible]
Overnight	[illegible]
One month	[illegible]
Three months	[illegible]
Six months	[illegible]

JAPAN

Discount Rate	[illegible]
Call (Unconditional)	[illegible]
Bills Discount Rate	[illegible]

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● MATERIALS

New look for paper

SUCCESS IN the treatment of polypropylene fibre to make it suitable for papermaking is taking the Shell group of companies into many new areas of applications, drawing on the novel properties incorporation of the plastics fibres can impart to traditional materials. An outstanding example of this is giving heat-seal properties to papers such as those used for tea and coffee bags.

Carifil is the name chosen by the company for the new family of fibres on which a great deal of the development work was carried out in the Netherlands.

The materials are described as branched polypropylene fibres on the surfaces of which, various mineral additives have been partially embedded. Since the fibre itself is tough and highly resistant to water and dyes, this is a notable achievement.

Surface modifications thus made provide a wettable and easily dispersed fibre, the density of which can be controlled to give a stable dispersion in water. Also, depending on the additive chosen, the fibre will exhibit corresponding properties to give an end-product with both thermoplastic and mineral characteristics.

Additives used include clays, chalks, barium sulphate and titanium dioxide, among others.

Production capacity of several thousand tonnes has been commissioned in Holland to allow market development and Carifil is now available in commercial amounts following extensive laboratory and field trials, which are continuing for a number of new applications.

In papermaking, Carifil fibres stand up well to the process and give many new properties; at the same time it is an economically attractive polymer, the company asserts.

Combined with cellulose fibres, Carifil adds its chemical and moisture resistance, thermal stability, and good electrical properties. Cable insulators, battery separators, capacitors and diazo papers are suggested products.

But advantage can be taken of thermoplastic properties to heat-seal, thermal emboss or form, or provide wet strength.

Wallpapers, book coverings, laminates and many others are products in which the plastic can be used.

In the meantime, the company is continuing with the study of the use of Carifil in wet laid non-woven fabrics.

Shell International Chemical Company, Shell Centre, London SE1 7PG. 01-934 1234.

● QUALITY CONTROL

Tests wafers with no damage

EXPERIMENTAL laser-scanning methods to detect microscopic defects in silicon wafers before they are used in fabricating intricate computer circuits is of importance, because even one such defect can cause the failure of a complete circuit containing thousands of transistors.

Developed by two IBM scientists, the methods take a minute or less per wafer and can spot imperfections as small as 1 micron.

Because the approach is non-destructive, it can be used to examine silicon wafers for defects before devices are fabricated on them. It also offers the possibility of examining wafers at several stages in the circuit-manufacturing process in order to determine which steps need adjusting to improve the process yield.

Thus the development may contribute further to the decrease in the cost of making computer components.

In the equipment under test, the surface of the wafer is scanned with a laser. As it scans, the beam excites and frees electrons, some of which travel to the surface of the wafer and are detectable as a voltage. This voltage remains steady as long as the surface being scanned is perfect.

When the beam passes over a defect, however, some of the excited electrons recombine in it, and the surface voltage drops. After the beam passes the defect, the surface voltage returns to normal.

These voltage changes are registered on the screen of a cathode ray tube, forming pictures that can be interpreted as representing various defects such as scratches, cracks, dislocations, precipitates and other imperfections.

Capability of this laser-scanning method is in sharp contrast with that of current defect-detection procedures, which render the wafer unusable. With those procedures, only a few wafers from a batch are usually tested, so that the operator must simply assume that they are representative of the entire batch. Moreover, a batch of wafers can be sampled only before the circuit-fabrication process; there is no easy way to examine individual steps in the process.

Further details from IBM, Thomas J. Watson Research Centre, POB 218, Yorktown Heights, NY 10598. U.S.

● COMPUTERS

Tight check on weight of tea packs

COMPUTERISED weight control equipment to help improve pack weight standards and meet the demands of the EEC's forthcoming average weight legislation, has been bought by R. Twining & Co.

Kins Applied Technology of Morden, Surrey, is supplying its K1000 prepack weight controller for installation at the tea company's Andover plant.

K1000, apart from helping meet the requirements of the proposed EEC legislation, will provide detailed operational data on machine and product.

The small central computer with disc storage and two printers sited in the quality control laboratory will be linked to 11 weighing stations—each with an operator panel and *electronic balance or continuous* checkweigher — located in the plant.

Weight data from the balances and checkweighers will be processed by the computer and the operator instructed to make any weight adjustments necessary to ensure that legal requirements are met with a minimum of over-pack.

Details of all these tests will be printed-out in the laboratory on one of the printers, while the second printer will provide shift and daily summaries, and permit entry of product data necessary *for the calculation of weight* adjustments. These summaries will be vital to plant management and will provide the weight audit to allow the Trading Standards Officers to monitor adherence to legal requirements.

WS Atkins, Woodcote Grove, Ashley Road, Epsom, Surrey KT18 5BW. Epsom 26140.

Terminals to recognise more words

EMI THRESHOLD has increased its range of Voice Data Entry devices with prices starting at £5,500 for a 32-word vocabulary machine.

All models are based on the Threshold 500 processor which contains new recognition software using *dynamic* programming and other hardware and software developments to give improved sound recognition accuracy.

The range is expanded to include the Threshold 600, a complete, flexible terminal which can be programmed to accept and display from 64 up to a maximum of 500 words or phrases and translate them into an output of customised characters or strings of characters in ASCII code.

This unit is designed to act as a plug-in replacement for any teleprinter-compatible terminal and can use either a Threshold large character display or a VDU. Software changes in the host computer are unnecessary.

Threshold 5400 is a four-station stand-alone or satellite system complete with disc, printer and controlling microcomputer. The £42,000 price tag includes some applications software for standard functions such as management information reports, etc.

EMI Threshold, Blyth Road, Hayes, Middlesex. 01-573 3888.

Unbreakable strip code

EMI DATA has successfully completed a project with Diebold Inc., manufacturer of electronic banking terminals, in which the latter's *TABS 910* automated teller machine has been equipped with a "Watermark Magnetics" reader. The Diebold terminal was recently shown for the first time at the American Bankers Associated Bank Card Convention in the U.S.

Watermarking is the name given to magnetics produced by a process whereby coding is structured into a magnetic layer during manufacture. While the dope containing the *suspension* of magnetic particles is still in the liquid state, magnetic fields are applied which selectively orient the particles and thus define the coded data. The result is a unique magnetic pattern or "watermark" which cannot be erased, *altered or* copied without detection.

Watermark magnetic tape can be encoded and read to all international standards and is fully compatible with existing magnetically encoded cards.

The modified Diebold TABS 910 operates in the normal way but has the additional advantage of reading the watermark code and validating the card before the transaction commences.

EMI Data, Alma Road, Windsor, Berks SL4 3JA. Windsor 53111.

● COMPONENTS

Universal filters

INDUSTRIAL filter elements for *purifying liquids, gases and compressed* air are being manufactured in nine standard sizes and 11 interchangeable fineness grades by Ultrafilter GmbH, Düsseldorf.

Six grades have permanent, regenerable sintered-metal elements (bronze *or stainless* steel) for filtering relatively coarse particles from air, steam or liquids; and five are high-efficiency grades with disposable two-stage or three-stage elements, for total removal of oil, water and dirt from air and gases, for odour removal, and for 100 per cent bacteria removal.

Pore sizes of the sintered elements range from 100 micron down to 1 micron, while the disposable elements all have a nominal pore-size of 0.01 micron, with efficiencies as high as 0.01 ppm for oil removal or 0.005 ppm for odour removal. The sterile grade, for bacteria removal, can be steam-sterilised up to 100 times.

Each grade is made to identical dimensions in the nine sizes, permitting complete interchangeability within filter housings. Two standard connection options are available: screw-in and push-fit, each with a silicone-rubber O-ring seal. Housings can be supplied with the elements; alternatively, the company offers an engineering consultancy service whereby elements can be manufactured with connections and adaptors to suit virtually any existing type of housing.

Ultrafilter, 33, Sandy Way, Tamworth B77 4DS. 0827-58234.

● IN THE OFFICE

Counts notes quickly

A HIGH SPEED heavy duty document handling machine is now available in the UK from *International Money Processing* Machines, International House, Windmill Road, Sunbury-on-Thames, Middx TW16 7HR (093-27 85666).

From the American Brandt range, it is called the Countess 825, and is said to be ideal for handling currency notes, coupons, vouchers, forms, pay slips, punched cards and cheques.

It counts currency at up to 1,200 notes per minute, and endorses and cancels cheques, stamps and coupons at up to 1,000 per minute.

Applications are suggested in accounting and wage departments, busy retail stores, supermarkets and cash-and-carries, banks, local authorities and similar organisations which handle large volumes of "value" paperwork.

● COMMUNICATIONS

Two minute facsimile

ACCORDING TO 3M, the fact that there are still only about 7,000 business office facsimile machines installed in the UK is a reflection of both the price of such equipment and, more significantly, the cost of using it.

The company's latest machine, the 2346, is relatively inexpensive at £1,400 (£50 per month to rent) and can transmit an A4 page of typescript, drawings, handwriting or photographs, at acceptable definition for most *office purposes, in two minutes.*

A considerable reduction in transmission cost results: assuming a connection exceeding 56 km, established in the early afternoon, the cost for two, four and six minutes of telephone line time is 24p, 48p and 60p respectively. Annual savings will depend on use, but at 10 transmissions per day, selecting the two-minute transmission rather than four minutes, gives a £600 saving.

Realising, however, that the 2346 might have to communicate with other makes of machine, 3M has designed it with four selectable speeds — two, three, four or six minutes, assuming standard CCITT protocol.

The machine measures 368 x 533 mm, is only 117 mm high and is easily transportable at 14.5 kg. It is also particularly easy to use, requiring the paper to be simply placed flat on the platen with one edge in a slot. The paper is drawn in by the machine and automatically wrapped round the scanning drum, the operator having simply to select the speed, set the send/receive switch and, when a "ready" lamp comes on, press the start button.

In the send mode the unit scans the original line by line using an optical method; to receive, electrosensitive paper is employed in which a coating is burned off the surface to give the image.

Use is made of a microprocessor, one function of which is to simplify fault diagnosis in the field. The machine can as a result be set up using a fifteen position test switch in conjunction with six potentiometers. Fault correction is based on module replacement.

The machine, fully approved by the Post Office, is the first complete design by 3M, previous units owing a good deal to the Magnavox designs acquired when that company was taken over.

At a recent London demonstration the company emphasised that it was in the facsimile business "to stay" and would be concentrating on putting across the message that facsimile machines were no longer for specialist users such as advertising agencies, newspapers and the legal profession, but could now be usefully adopted by industry in place of other communications methods.

One of its customers, Securicor, has replaced a complete telex network.

For the future, 3M is under*stood to be close to announcing* a digital machine that will reduce the A4 page transmission time to 35 seconds—at which point the running cost becomes a better proposition than using the ordinary mail service.

GEOFFREY CHARLISH

● SAFETY/SECURITY

Loop will defeat the petty thief

MULTI-LOOP alarm equipment able to protect up to 40 items incorporates the latest advances in its compact control box and sensors.

The control has an independent power supply, audio and visual alarm, and an on/off switch. The box supplies up to eight independent loop alarms.

Three types of sensor attachments are available for linking to the control box: and adhesive sensor consisting of an adhesive head with a special cleaning contact, a slip sensor consisting of a spring-loaded needle and lock contact; and a light sensor.

The alarm is easy to operate and is quick and simple to install. It allows protected items to remain protected while being examined by the potential customer. Showroom display items can be moved without fuss, or leaving other items unprotected. But when an item is forcibly removed, a continuous horn alarm and pulsating flashing lamp is triggered off. An intermittent piercing alarm is activated if a mass theft is involved. The control box automatically resets itself after 30 seconds.

Industrial Maintenance and Services is interested in appointing distributors for the alarm throughout the United Kingdom. It is a division of Computer World Trade at Excell House, *Trust Industrial Estate, Wilbury* Way, Hitchin, Herts, SG4 0UZ. 0462 4472.

Magnetic level unit

A HIGH level of safety is assured by a tank level indication system offered by Krohne Measurement and Control, due to complete separation of internal and external environments at the measuring point.

The unit is suitable for the majority of liquids encountered in the chemical, petrochemical, oil refining, pharmaceutical and food industries.

A float with integral magnet assembly surrounds and is guided by a non-magnetic tube which contains a magnetically couple float follower. The latter conveys the float position to a *measurement drum via stainless* steel cable which in turn transmits it to indication pointers by *means* of a gear train. The weight of the float follower is compensated by a spring system.

Approved for installation in hazardous areas the BM51, being glandless, is well suited to measurement in pressurised vessels. The indicator is housed in an epoxy coated case to protect it from corrosive atmospheres. *Alarms, and electrical transmission* of readings can be provided.

Moulton Park, Northampton NN3 1JZ (0604 499704).

WORLD STOCK MARKETS

Wall St. recovers 8.6 on stronger dollar

INVESTMENT DOLLAR PREMIUM
\$2.60 to £1—89¼% (85¼%)
Effective \$1.9520 42¼% (40¼%)

WITH THE dollar's fresh improvement aiding sentiment, Wall Street made a more successful rallying attempt yesterday on bargain hunting and closed near the day's best level. However, trading was rather slow.

The Dow Jones Industrial Average regained 8.58 to 794.18 and the NYSE All Common Index finished 37 cents higher at \$52.09, while gains led losses by 941 to 501. Turnover was down to 21.34m shares from Wednesday's total of 26.28m.

The market resumed the technical recovery cut short on Wednesday when Presidential Inflation Adviser Kahn warned that a deep depression or wage-price controls were the alternatives if President Carter's anti-inflation plan failed.

Analysts said investors viewed Kahn's comment and a similar remark yesterday morning by President Carter more as rhetoric than economic forecast.

Federal Reserve Board Chairman Miller told the Senate Banking Committee: "I do not see any conditions that will bring about a recession unless there are unforesee nfactors in the economy." He alsosaid that he does not foresee a "credit crunch."

Analysts added that they thought they detected a pause on Wednesday in the recent credit tightening moves of the Fed, but the credit markets were thrown into confusion yesterday by some changes announced by Miller in the way the Fed will report money supply data.

After the stock market close, the Fed reported that the nation's basic money supply rose \$1.1bn in the latest reporting week, but said figures on its new category of money stock were not immediately available.

Texaco, the volume leader, hardened ¼ to \$23. A 100,000 share block changed hands at \$24¼. Among other ePtroleum issues, **Exxon** added ¾ at \$49½, **Gulf Oil** ¼ at \$24¼ and **Atlantic Richfield** \$1 at \$54¼.

Boeing, the second most active stock, climbed 2¼ to \$62½. It has received orders for four more jet planes on top of its huge orders announced on Wednesday valued at nearly \$3bn. If all options are exercised. **General Electric**, which won the engine contracts on Wednesdays orders, put on ¾ to \$49½.

Hilton Hotels advanced 2¾ to \$43½ on a proposed stock split and increased dividend.

Occidental Petroleum added ¼ to \$15½. It has arranged a \$250m deal to exchange fertiliser for shipments of Soviet ammonia.

Chessie System put on ¾ to \$26½. The company has agreed to merge with **Seaboard Coastline**, which moved ahead 2¾ to \$30½.

Canada

Sharp gains in Oil and Transportation issues led the Toronto stock market further ahead in active early dealings. The Toronto Composite Index was 6.0 higher at 1,227.5 at noon, while the Oils and Gas index, after Wednesday's advance of 35.6, rose 26.6 more to 1,649.9. Metals and Minerals put on 1.7 to 1,062.1, but Golds receded a further 12.1 to 1,303.6.

Montreal stock indices were unavailable due to computer problems at the Exchange.

Power "A" gained ¾ to C\$18¾ after resuming at the opening, but the shares were halted again later in the morning. Power owns 58 per cent of Laurentide Financial, which has agreed to merge with Banque Provinciale du Canada.

Tokyo

The market yesterday showed some resistance to the recent reactionary trend, with Light Electricals and some other export-orientated issues moving ahead in response to the dollar's improvement in Tokyo.

Overall falls held a narrow lead over gaining issues, although the Nikkei-Dow Jones Average recovered 19.50 to 5,919.68, while the Tokyo S.E. index hardened 0.20 to 437.90. There was a moderate business of 240m shares, down from Wednesday's volume of 310m.

Among recently-neglected Electricals, **Sony** advanced Y60 to Y1,500, **Pioneer** Y30 to Y1,540, **Victor of Japan** Y30 to Y1,100, **Ricoh** Y20 to Y580 and **TDK Electronic** Y20 to Y2,030. **Toyota Motor**, Y862, and **Canon**, Y432, gained Y6 apiece.

Cotton Spinners, Paper-Pulps, Printings, Real Estates and some public works issues gained ground on a revival of buying interest, but Pharmaceuticals, Steels and Heavy Electricals were easier on further profit-taking.

Germany

Stock prices further hardened over a wide front, with domestic and foreign institutional investors showing greater interest in the wake of more stable foreign exchange market conditions and the high degree of liquidity in the domestic money market. The Commerzbank index gained 5.3 more to 831.2.

Banks and Machine Manufacturers were to the fore of the market's rise. **Babcock** improved DM 2.30, and **GHH** DM 3.20, while **Commerzbank** and **Deutsche Bank** each scored DM 3 gains.

In Engineerngs, **MAN** advanced DM 9.50 more, while in Stores, **Karstadt** and **Kaufhof** put in DM 2 apiece.

The Domestic Bond market also maintained its firmer trend, with Public Authority issues showing fresh rises of up to 20 pfennigs. The Regulating Authorities sold a nominal DM 8.9m of paper (DM 15.8m). Mark Foreign Loans were well maintained.

Hong Kong

Share prices fell afresh across the board in nervous trading on persisting market rumours of a possible further rise in local Best Lending Rate. The Hang Seng index retreated 21.57 more to 516.99.

Among the leaders, **Hong Kong Bank** declined 40 cents to HK\$17.30, **Hong Kong Land** 10 cents to HK\$6.60, **Hutchison Whampoa** 27.5 cents to HK\$4.40, **Jardine Matheson** 40 cents to HK\$12.50, **Swire Pacific** 30 cents to HK\$7.25 and **Wheelock Marden** 12.5 cents to HK\$2.65.

Elsewhere, **China Light** shed HK\$1 to HK\$24.20, **Hang Seng Bank** HK\$4 to HK\$172, **Hong Kong Wharf** HK\$2.60 to HK\$26.50, **Cheung Kong** 60 cents to HK\$9.50 and **Honk Kong Hotels** 70 cents to HK\$18.10.

Johannesburg

Markets were lower across the boards, with Golds reflecting the sharply lower Bullion price and Industrials retreating in the face of widespread but low-volume profit-taking.

Dealers noted that the decline in Industrial follows a period of strength in the sector, with operators showing uncertainty as to whether the higher levels can be sustained.

Losses in Golds ranged to 300 cents, while Mining Financials followed gold producers down.

De Beers lost ground on local and Overseas selling, closing 30 cents cheaper at R6.95. Platinum shares recorded losses ranging to 12 cents, while Copper, Asbestos and Colliery issues were also easier.

Paris

Markets displayed a firmer bias yesterday in moderate trading, although Bourse sources said that a Bank of France report showing a rise in October industrial activity over September and a return to pre-summer levels had little impact.

Foods and Stores performed the best, with **Carrefour** moving ahead 32 to FFr 2,147 and **Thomson Brandt** 2.5 to FFr 250.5.

Also making noteworthy progress were **Comptoir des Entrepreneurs, Pricel, Saupiquet, Phenix, Talcs de Luzenac, Saunier-Duval, Darty** and **Jean Lefebvre**.

However, Electricals, Metals and Oils were generally easier.

Australia

The overnight rally attempt on Wall Street encouraged some bargain hunting yesterday in the recently depressed Australian markets. However, buying was concentrated in Blue Chips, and sellers continued to predominate in second-liners, which remained easier-inclined.

BHP recoveerd 8 cents to A\$8.18, while **G. J. Coles**, in Stores, picked up 10 cents to A\$2.12 although **Myers Emporium** receded 4 cents to A\$1.55.

Among the Banks, **National** improved 4 cents to A\$2.42 and **ANZ** 3 cents to A\$3.48, while **Bank of NSW** were steady at A\$5.60.

On the Mining posts, the Nabarlek uranium partners, **Kathleen Investments**, A\$2.60, and **Queensland Mines**, A\$3.30, gained 10 cents apiece on a report that an agreement with the Northern Land Council would be signed before the weekend.

Elsewhere in Uraniums, however, **Pancontinental** shed 20 cents more to A\$10.20 and **Peko-Wallsend** lost a further 6 cents to A\$5.40.

Some Copper shares improved despite a fall in the London copper price. Diamond speculatives showed some recovery, with **CRA** regaining 5 cents to A\$3.00 and **Otter Exploration** 7 cents to 27 cents.

Western Mining were 5 cents better at A\$1.58, but a weaker market for gold and a setback in the tin price caused falls of 60 cents each in **Central Norseman Gold**, A\$12.60, and **Renison Tin**, A\$9.50.

Oils mainly had another bad day, with **Woodside** hitting a new 1978 low of 67 cents.

Amsterdam

Shares mostly moved narrowly on meeting little interest to finish on a mixed note again.

Dutch Internationals were generally a shade harder, but **Royal Dutch** receded Fl1.10 to Fl122.30, upset by lower third-quarter net profits.

Elsewhere, **Elsevier** rose Fl7 to Fl290, while also notably firmer were **HVA**, up Fl4.20, and **OCE-Van der Grinten**, Fl3 higher at Fl172.

State Loans were lower.

Milan

A widespread rally took place in fairly active trading ahead of the closure of the monthly Account, following the recent weakening performance on technical and speculative sales.

Montedison picked up 2.5 to close at its par value of L175, while **Snia Viscosa** rebounded 29 to L784 and **Fiat** 57 to L2,607.

NOTES: Overseas prices shown below exclude \$ premium. Belgian dividends are after withholding tax.
♦ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax. ♥ Pta 500 denom. unless otherwise stated ♣ DKr 100 denom. unless otherwise stated. ✝ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. § Price at time of suspension a Florins b Schillings. c Cents d Dividend after pending rights and/or scrip issue. e Per share. f Francs g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked † Bid. § Traded ‡ Seller. z Assumed xr Ex rights xd Ex dividend. xc Ex scrip issue. xa Ex all. ▲ Interim since increased.

† Bid. ‡ Asked. § Traded. ‖ New stock.

BASE LENDING RATES

A.B.N. Bank	12½%	■ Hambros Bank	12½%
Allied Irish Banks Ltd.	12½%	■ Hill Samuel	§12½%
American Express Bk.	12½%	† C. Hoare & Co.	†12½%
Amro Bank	12½%	Julian S. Hodge	13½%
A P Bank Ltd.	12½%	Hongkong & Shanghai	12½%
Henry Ansbacher	12½%	Industrial Bk. of Scot.	10 %
Associates Cap. Corp.	12½%	Keyser Ullmann	12½%
Banco de Bilbao	12½%	Knowsley & Co. Ltd.	14½%
Bank of Credit & Cmce.	12½%	Lloyds Bank	12½%
Bank of Cyprus	12½%	London Mercantile	12½%
Bank of N.S.W.	12½%	Edward Manson & Co.	13½%
Banque Belge Ltd.	12½%	Midland Bank	12½%
Banque du Rhone	13 %	■ Samuel Montagu	12½%
Barclays Bank	12½%	■ Morgan Grenfell	12½%
Barnett Christie Ltd.	12½%	National Westminster	12½%
Bremar Holdings Ltd.	13½%	Norwich General Trust	12½%
Brit. Bank of Mid. East	12½%	P. S. Refson & Co.	12½%
■ Brown Shipley	12½%	Rossminster	12½%
Canada Perm't Trust	12½%	Royal Bk. Canada Trust	12½%
Cayzer Ltd.	12½%	Schlesinger Limited	12½%
Cedar Holdings	12½%	E. S. Schwab	13½%
■ Charterhouse Japhet	12½%	Security Trust Co. Ltd.	13½%
Choulartons	11½%	Shenley Trust	14 %
C. E. Coates	12½%	Standard Chartered	12½%
Consolidated Credits	12½%	Trade Dev. Bank	12½%
Co-operative Bank	*12½%	Trustee Savings Bank	12½%
Corinthian Securities	12½%	Twentieth Century Bk.	13½%
Credit Lyonnais	12½%	United Bank of Kuwait	12½%
Duncan Lawrie	12½%	Whiteaway Laidlaw	13 %
The Cyprus Popular Bk.	11½%	Williams & Glyn's	12½%
Eagil Trust	12½%	Yorkshire Bank	12½%
English Transcont.	12½%		
First Nat. Fin. Corp.	12 %		
First Nat. Secs. Ltd.	12 %		
■ Antony Gibbs	12½%		
Greyhound Guaranty	12½%		
Grindlays Bank	12½%		
■ Guinness Mahon	12½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 10%, 1-month deposits 10¼%.
† 7-day deposits on sums of £10,000 and under 10%, up to £25,000 10¼% and over £25,000 10½%.
‡ Call deposits over £1,000 10%.
§ Demand deposits 10%.

EUROPEAN OPTIONS EXCHANGE

Series		Jan. Vol.	Jan. Last	Apr. Vol.	Apr. Last	July Vol.	July Last	Stock
ABN	F.360	4	17	—	—	—	—	F.3.70
ABN	F.390	5	3.20	—	—	—	—	..
AKZ	F.27.50	4	3.60	5	4.50	2	5.50	F29.10
AKZ	F.30	-	-	20	3.50	..	—	..
AKZ	F.32.50	45	0.90	20	2.40	..	—	..
AKZ	F.35	.	.	.	—	21	2.50	..
ARB	F.78.90	4	2	—	—	..	—	F.76.50
GM	\$60	26	¾	—	—	—	—	\$54¾
HO	F.32.50	3	5.80	...	—	...	—	F.37.10
HO	F.35	7	4	—	—	..	-	..
IBM	\$280	45	4	..	—		..	\$260
IBM	\$300	30	1..	—	—	1	9	..
KLM	F.120	6	11	—	—	—	—	F.127
KLM	F.133.30	27	4.50	—	—	.	—	..
KLM	F.140	4	3.50	—	—	10	10.80	..
KLM	F.150	.	--	10	5.50	8	7.70	..
KLM	F.160	10	1	—	—	—	—	..
KLM	F.171.40	5	0.70	—	—	—	—	..
NN	F.110	--	—	1	10.90	—	—	F.114.40
NN	F.120	.	--	1	5.50	—	—	..
PHI	F.25	14	1	30	2.20	7	2.90	F.24.60
PHI	F.27.50	2	0.60	20	1.20	...	—	..
PD	F.30	--	.	10	0.90	11	1.30	..
RH	F.120	4	5.50	47	8.80	1	9.50	F.122.50
RD	F.130	25	1.30	—	—	—	—	..
UNI	F.120	--	—	—	—	1	7.60	F.118.80

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
BA	\$60	5	1½	7	6½	-	..	\$61½
BA	\$70	—	..	1	2¾	6	4¾	..
BA	\$80	—	—	—	—	4	2½	..
SLB	\$80	1	6¾	—	—	—	—	\$86⅞

TOTAL VOLUME IN CONTRACTS 519

هكذا من الأصل

مكتبة الأصل

FARMING AND RAW MATERIALS

EEC fish price proposals

BRUSSELS, Nov. 16.

THE EEC Commission has unveiled its proposals for Community fish prices suggesting price rises for six species, cuts for two others and leaving unchanged prices for remaining 13 categories including cod, herring, mackerel and sardine.

The Commission proposes to increase the target price for pike 4.9 per cent to 1,370 units of account (ua) a tonne; pollack 4.9 per cent to 362 ua; haddock, 3.9 per cent to 471 ua; and plaice, 2 per cent to 615 ua.

The Commission also plans to increase the shrimps price to 1,050 ua per tonne from 1,011 ua, and tuna for industrial production by 3.3 per cent to 723 ua per tonne.

A 4 per cent reduction to 492 ua is proposed for the target price of hogfish. For the intervention price of anchovies, the Commission suggests a 3.5 per cent cut to 191 ua per tonne.

The target price is the minimum a producer should expect to receive in the market, while the intervention price, generally below the target price, is used to absorb surplus production with Community funds.

The increases are not likely to be reflected in consumer *prices, as target prices are* generally well below actual market levels. AP-Dow Jones

New whaling meeting next month

THE 17-NATION International Whaling Commission will meet in Tokyo next month to set catch limits for sperm whales in the North Pacific.

The special meeting, on *December 19 and 20, will also* review limits of southern memisphere sperm whales.

At its last meeting, in Jnue, the commission classified all southern hemispere sei whales as protected stocks, forbidding any catch, but decided to await further data before classifying sperm whales in the North Pacific and setting catch limits.

It will consider setting up working groups on subsistence *whaling by aboriginal people* such as the Alaskan Eskimos, and on an expanded observer scheme to ensure that regulations are followed.

The meeting will study means of persuading non-member countries to join the Commission. Chile, Peru, South Korea and Spain have indicated their intention to join and that would leave only Cyprus, Portugal and perhaps China whaling outside international regulations

Coffee futures hit by Costa Rica price cut

BY RICHARD MOONEY

COFFEE PRICES fell heavily on the London futures market yesterday *as a result of a surprise* announcement by the Costa Rican Government that it had abandoned its minimum export price.

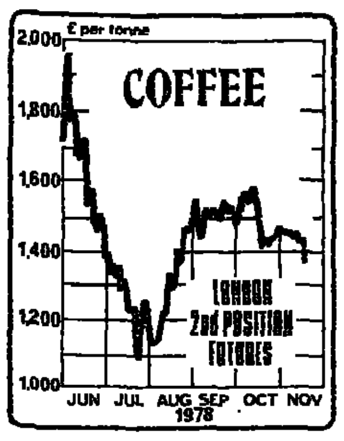
The announcement pushed New York values lower overnight and when trading began in London yesterday morning nearby prices were down about £50 a tonne.

Further speculative and stop-loss selling pushed London values still lower and by the close the January position was quoted £67.5 down at £1,364.5 a tonne—the lowest level for three months.

Costa Rica had been holding its minimum price at 160 cents a lb, about 10 cents above the market level. *The freeing of coffee* exports allowed merchants to come down to the market level, where they readily found buyers.

Costa Rica is not believed to have a great deal of coffee left to sell but its action appears to *have broken the deadlock which* has ruled in the coffee market recently. Other Central American exporters have also been offering coffee more cheaply, presumably in the hope that their Governments will follow Costa Rica's example.

They are evidently prepared to risk having to make up their export receipts to the minimum *levels out of their own pockets* rather than find themselves left out in the cold when the pent-up demand is satisfied.



In New York meanwhile leading coffee traders said the first foreign disclosure deadline in coffee contract futures had little apparent impact on the market, reports Reuter.

The Commodity Futures Trading Commission (CTTC) requires that brokerage houses and clearing members report the names and addresses of all foreign brokers carrying open positions in "C" contract futures as of the close of business today.

It also requires a report of *gross open positions, domestic* and foreign, totalling five or more contracts in any one month.

This information will be compiled in the form of a statistical publication, which will probably be available in January, a CFTC spokesman said.

When the CFTC initially issued the coffee disclosure requirements some traders warned of a mass exodus of foreign investment.

However, on the first disclosure deadline most traders believe foreign accounts still make up a substantial portion of total open interests in the market.

The disclosure requirements were devised in response to political pressures generated by the sharp rise in coffee prices and public charges that the market was manipulated by producer interests following the 1975 Brazilian frosts.

Traders here note that political interest in the market dissipated as retail coffee prices gradually stabilised below their highs.

General rally in metal prices

BY JOHN EDWARDS, COMMODITIES EDITOR

THERE WAS a general rise in base metal prices on the London markets yesterday, with the exception of tin.

Following several days of lower values, copper, zinc and lead prices all moved higher, especially lead.

Lead, which had fallen by £30 this week, rallied strongly on forecasts that LME warehouse stocks could be as much as 5,000 tonnes lower this week. Cash lead gained £9.5 to £387 a tonne, and the three months quotation by £10.25 to £377.5.

In late kerb trading three months moved up to more than £381 as buying interest persisted.

Tin moved in the opposite direction, despite a small rise in *the Penang market overnight.* Continued speculative selling pushed the three months quotation down to £7,380 a tonne at one stage, before rallying later on the weakness of sterling to close at £7,447.5 a tonne, a £65 on the previous close. The cash price was £60 down at £7,565.

The fall in the value of sterling also helped to lift copper prices, after four successive days of decline. Cash wirebars closed £3.25 up at £734.5 a tonne, £12 lower than a week ago.

Canadian copper producer, Noranda, yesterday warned that deliveries of its refined copper would be cut back by 25 per cent in January because of the continuing strike at its Gaspe facilities. But it also announced a cut in its U.S. domestic price for cathodes *from 71 to 69 cents a* pound effective immediately.

Two U.S. producers, Newmont Mining and Inspiration, also announced they were cutting their domestic copper prices to 69 cents a lb. London brokers Inter Commodities in a special report on copper issued yester*day said a major "bull" market* for copper could well be delayed until 1981 or 1982.

It said that after four years of large surplus and depressed prices the supply-demand situation has now turned to deficit output in 1978 and a probable balance of supply and demand in *1979. But large stocks, unused production capacity and the* economic outlook would restrain price rises.

The report suggested that the *cost of new production capacity* would only determine the price of copper when there was insufficient current capacity and this was unlikely to occur until the early 1980s.

● Noranda Mines said in Toronto that it plans proposals to merge with Mattagami Lake Mines and Orchan Mines, reports AP-Dow Jones.

It said the proposals, which would be subject to approval by *shareholders of all three com*panies, envisages a merger with Mattagami on the basis of one Noranda share for each 2.5 Mat*tagami shares, and a merger with* Orchan on the basis of one Noranda share for each six Orchan shares. Noranda said either proposal could proceed without the other.

Noranda currently holds about 34 per cent of Mattagami shares and about 45 per cent of *Orchan shares.*

Eggs and bacon dearer

By Our Commodities Staff

BACON WILL cost more than ever in the shops next week following an across-the-board rise in wholesale prices announced yesterday.

The rise was led by the Danish producers who have *lifted the first-hand price of* their product by £25 to a record £1,140 a tonne. British and Ulster bacon is also £25 a tonne dearer, at £1,110 a tonne and Irish £35 dearer at £1,110.

Trade sources said they had been expecting a price rise as this is normally a time of buoyant demand. Further increases could take place in the next few weeks as the Christmas market gets under way, they added.

The wholesale price rise is equivalent to about 1p a lb across a whole side of bacon but traders said most of the increase is likely to be concentrated on gammons, which could rise by 2p a lb. Middle, back and streaky bacon and *collar* joints should be unchanged to 1p a lb dearer, they said.

Housewives are also to be faced with higher egg prices. The Goldenlay marketing consortium announced yesterday that prices for all grades will rise 4p a dozen next week.

The pre-Christmas "pull" plus the cooler weather has led to "very good demand indeed," a spokesman said. Supplies are slightly lower, possibly reflecting an increase in the culling of old hens he added.

This latest rise brings the increase in egg prices to 8p *a dozen in the past fortnight.*

Europe sugar estimate up

By Our Commodities Staff

SUGAR statistician, F. O. Licht, yesterday raised his estimate of European production to 29.89m tonnes compared with his first estimate of 29.04m.

West European sugar output shows the biggest rise, up from 15.56m to 16.46m tonnes. East European production is put marginally higher at 13.47m against 13.43m tonnes previously.

The increased estimate was in *line with market expectations* reflecting the improved weather conditions that have helped to boost EEC sugar production to a higher level.

India confirmed yesterday that it had sold four cargoes of sugar for December shipment and completed its quota under the International Sugar Agreement.

BAVARIAN AGRICULTURE

High cost of idyllic Alpine farming

BY JOHN CHERRINGTON, RECENTLY IN BAVARIA

UPPER BAVARIA, the foothills of the Alps, put on its best clothes for my visit.

The fog cleared at about 2,000 feet and the mountains were sharply silhouetted against the *blue sky.*

The towns and villages were incredibly neat. Many of the houses, like those in Oberammagau, seemed to have had their frescoes newly touched up, although I was told this was not so and the paintings had lasted a couple of centuries or more.

There was a sprinkling of snow in the perpetual shade of the mountains. The grass had in most cases been burned off by frost and had the brown colour it will retain until spring comes next April or May.

There were few grazing cattle to be seen. The land is all grass with wooden hay sheds every few acres. The farm houses are clustered into small groups denoting the small size of the holdings.

In most cases the houses — traditional mountain chalets — have the cattle sheds built into one end with hay lofts above and only a dung heap to show that this marvellous scenery has an economic function.

For this is the heart of one of Germany's major farming prob*lems,* the "disadvantaged" mountain farms of the Alps. A number of other EEC countries, notably France in the Massif Centrale and the Pyrenees, have them as well. But only in Germany have I seen such resources put into sustaining the Alpine way of life.

Because the farms are small and there is little industry close at hand, great encouragement is given to fostering tourism. Houses letting rooms have the family name in large letters on *the wall. Advice on catering,* and the business of what might be called taking in lodgers, is given by the Bavarian advisory services, along with that for farming.

But even so farming appeared to be paramount; income from tourism amounting to no more *than a third of total income.*

The farm I visited was about 125 acres overall. A third was good pasture, another third moorland for rough grazing and cutting litter; and a third woodland, providing a small income. There was also some communal grazing for the young cattle.

The 17 dairy cows, lying in a modern cowshed were Brown Swiss and Franz Degerle. The farmer looked after them with his wife and some help from his father. The yield per cow of 5,068 litres (1,120 gallons) was extraordinarily high considering that only 650 kilos of compound feed per cow per year is used.

Something about the mountain air seems to give the hay and silage made on the farm a special quality in this part of Bavaria.

All the cattle were lying on slats and the slurry is collected in a big freshly built underground tank.

There were obvious signs of prosperity with the new cowshed and modern machinery. But there are also certain Government aids of which, no doubt, the fullest advantage is taken.

There appeared to be little chance of increasing farm size. "Only a fool would sell his *land," is a phrase to be heard* all over Germany. The going price for this sort of very marginal country was, I was told, about DM 35,000 a hectare, more than £3,500 an acre.

Keeping these people in these surroundings and in small farms everywhere seems to be of par*ticular interest not only of the* Bonn Government but also to the Bavarian State administration.

One of its developments is a farm school operating in the winter where young farmers of both sexes can learn the theory of husbandry and housekeeping for two succeeding winters. There *is, I was told, no drift from the* land as elsewhere in Europe.

This may, of course, explain the fact that in a factory I visited later in Munich, Turks and Jugoslavs made up some 70 per cent of the workforce.

The whole German farming scene is a gigantic feather bed, *well supported by the highest* prices in the Community. In the simple terms of a traditional economist it is a nonsense. But remarkably few German voices are raised against it. Even the consumer organisations appear to be spineless.

This is fine for the Germans. But the cost is also shared by other Community members in various ways. Should it not be wholly borne by them?

UK wins more cheap milk powder

BY MARGARET VAN HATTEM

BRUSSELS, Nov. 16.

THE EEC COMMISSION has cut the subsidy on fresh skimmed milk powder sold for use in pig and poultry feed to 78 from 78.75 units of account per 100 kilos.

Despite this, British compound feed manufacturers have been allocated 13,895 tonnes of powder at the Commission's monthly tender, compared with only 700 tonnes last month.

The low allocation at the last tender caused the British Government to protest to the Commission, claiming the move had severely disrupted supplies to UK feed manufacturers.

The subsidy, worth about £6m *a month to Britain, is meant to* encourage farmers to feed animals on milk powder, of which the Community has a chronic surplus, rather than soya beans imported from the U.S., which are cheaper.

Each month, EEC feed compound manufacturers submit tenders to the Commission stating the quantity of milk powder they intend to buy and the subsidy they want. The Commission fixes subsidies large enough to keep prices just below soya prices. If soya prices rise, the subsidy drops accordingly.

Last month the soya price rose slightly and the subsidy on fresh powder was cut by 0.5 ua/100 Kg. *British manufacturers apparently* did not allow for this and tendered for too high a subsidy to get more than 700 tonnes.

This month, the soya price rose a further 0.3 ua/100 Kg and the fresh powder subsidy was cut by 0.75 ua/100 Kg. Commission sources suggested that the higher allocation to the British this time around indicated they had calculated the effects of the soya price rise more accurately than last month.

Our Commodities staff writes: In London the increased allocation to British compound feed manufacturers was seen as vindication of the protests by the UK Government that Britain was being unfairly penalised.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER	a.m. Official	+ or —	p.m. Unofficial	†+ or —
	£	£	£	£
Wirebars				
Cash	729-.5	—4.5	734-.5	+3.25
3 months	751.5-2	—4.5	756.5-7	+3
Settl'm'nt	729.5	—4.5	—	......
Cathodes				
Cash	717-.5	—5.25	721-3	+2
3 months	739.5-40	—4.5	743.5-5	+2.25
Settl'm'nt	717.5	—5.5	—	......
U.S. Smt.	625	......	*72	......

COPPER—*Firmer* on balance on the London Metal Exchange. After moving *ahead to £757.5 on the pre-market forward* metal fell back to £731.5 in the morning *rings following speculative selling.* In the afternoon an uncertain start on Comex saw the market here trade around £750 to £753 before the weakness of sterling caused the price to rise to £759.5 on the late kerb. Turnover: 20,700 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £730, 29.5, three months £754, 53.5, 53, 53, 53, 52.5, 53, 53.5, 54, 53.5, 52, 51.5. Cathodes, cash £717.5, three months £740, 39.5. Kerb: Wirebars, three *months* £752.5, 52, 51.5. Afternoon: Wirebars, three months £757, 57.5, 58, 58.5, 59, 58.5, 58, 57.5, 57, 56.5. Kerb: Wirebars, three months £758, 59, 60, 59, 59.5, 59, 58.5, 59, 60, 59.5.

TIN—Easier. A rise in the Penang market saw forward standard metal edge up to £7,540 on the pre-market. However, in the rings the price fell away to £7,380 as chartist and speculative selling touched off stop-loss selling. In the afternoon fresh buying and the downturn in sterling prompted a rise to £7,465 prior to a close on the late kerb of £7,460. Turnover: 1,140 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7580-600	—75	7570-80	—70
3 months	7455-70	—77.5	7455-70	—77.5
Settlem't	7600	—70	—	......
Standard				
Cash	7570-80	—67.5	7560-70	—60
3 months	7445-50	—75	7445-50	—65
Settlem't	7580	—66	—	......
Straits E.	‡1990	+5	—	......
New York	—	......		......

Morning: Standard, three months £7,400, 7,380, 90, 7,400, 10, 20, 30, 40, 50, 45, 40, 45, 40, 50, 45. Kerb: Standard, three *months* £7,450, 45, 40, 30. *High Grade,* cash £7,600. Afternoon: Standard, cash £7,580, 65, 60, three months £7,460, 65, 60, 55, 60, 55, 45. Kerb: Standard, three months £7,450, 55, 60.

LEAD—Rallied strongly on rumours of a substantial stocks decrease over the week. Forward metal moved ahead sharply on the pre-market rising from £365 to £375.5 owing to bear covering and trade buying. In the rings the market eased fractionally but fresh buying lifted the price to £374 on the kerb. The rally continued in the afternoon with forward metal rising to the day's highest level of £382 on the late kerb. Turnover: 17,500 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	382.5-3.5	+4.75	386-8	+9.5
3 months	373.5-4	+5.5	377-8	+10.2
Sett'ment	383.5	+5	—	......
U.S. Spot	—	......	*36.36	......

Morning: Cash £382, 83, 84, three months £370, 71, 72, 73, 72.5, 73, 74, 73, 73.5. Kerb: Three months £373.5, 74. Afternoon: Three months £377, 78, 79, 79.5, 79, 78, 77.5, 78, 79, 78. Kerb: Three months £379, 78, 78.5, 79, 79.5, 80, 81.

ZINC—Gained ground in line with lead. Forward metal moved ahead throughout the day to close at the day's highest level of £354 on the late Kerb. Turnover: 6,600 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	†+ or —
	£	£	£	£
Cash	339-40	+.75	341-2	+5.25
3 months	351.5-2	+.5	357-8	+6.75
S'ment	340	+1	—	......
Prim. west	—	......	*38.5-4.5	......

Morning: Cash £339, 39.5, three months £352, 52.5, 52, 51.5, 51, 52, 51.5, 52, 52.5, 52. Kerbs: Three months £352. Afternoon: Three months £354. Kerb: Three months £355.

ALUMINIUM—*Firmer* following covering against outside demand and the downturn in sterling which lifted forward metal to £602 prior to a close on the late kerb of £601. Turnover: 1,600 tonnes.

Alumin'm	a.m. Official	†+ or —	p.m. Unofficial	†+ or —
	£		£	
Spot	—	......	—	......
3 months	596-.5	......	600-1	+5

Morning: Three months £595, 96, 96.5, 96. Kerb: Three months £596.5. Afternoon: Three months £600, 599, 99.5, 600, 600.5. Kerb: Three months £602.

* Cents per pound. ‡ $M per picul. † On previous unofficial close.

SILVER

SILVER was fixed 4.4p an ounce lower for spot delivery in the London bullion market yesterday at 289.0p. U.S. cent equivalents of the fixing levels were: spot 567.1c, down 10.2c; three-month 580.4c, down 9.4c; six-month 593.6c, down 9.7c; and 12-month 617.7c, down 9.8c. The metal opened at 292½-293½p (574-576c) and closed at 293-296p (575½-577½c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. close	+ or —
Spot	289p	—4.4	294.35p	+1.85
3 months	297.1p	—4.4	302.65p	+1.9
6 months	305.55p	—4.4	—	......
12 months	321.1p	—4.75	—	......

LME—Turnover 397 (294) lots of 10,000 ozs. Morning: Three months 298, 7.8, 7.8, 7.5, 7.6, 98, 97.7, 7.6, 7.5. Kerb: Three months 297.2, 7.5, 7.3, 7.2. Afternoon: Three months 304, 43, 4, 3.8, 3.5, 3.7, 3.8, 3.5, 3.6, 3, 2.7, 2.5, 2.8. Kerb: Three months 302.8, 2, 2.6, 2.8, 3, 2.8, 2.8, 3.

COCOA

Cocoa prices remained steady throughout the day with some manufacturer price-fixing and rallies being contained *by light profit-taking, reports Gill and* Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
Dec	2102.0-04.0	+16.0	2110.0-2087
March	2152.0-54.0	+19.0	2165.0-29.0
May	2176.0-78.0	+15.5	2195.0-62.0
July	2168.5-68.0	+16.75	2180.0-64.5
Sept	2147.0-50.0	+18.5	2155.0-34.0
Dec	2090.0-2105.0	+19.5	2110.0-2090
March	2075.0-90.0	+18.0	—

Sales: 10,885 (6,364) lots of 10 tonnes.

International Cocoa Organisation (U.S. cents per pound): Daily price for Nov. 15 158.12 (151.32); Indicator prices Nov. 16 15-day average 179.92 (179.67); 22-day average 178.43 (177.56).

COFFEE

*ROBUSTAS declined sharply yesterday follow*ing increased offerings of South American milds in the physical market, Drexel Burnham Lambert reports. Dealer selling in the morning touched off large-scale commission house stop loss liquidation and the easier tone continued into the afternoon as New York opened. Limit-down values on the close were just off the lows 70 lower on the day.

COFFEE	Yesterday's Close £ per tonne	+ or —	Business Done
November	1472-1474	—51.5	1515-1470
January	1364-1365	—67.5	1410-1360
March	1254-1255	—71.5	1293-1250
May	1200-1206	—73.5	1250-1205
July	1180-1185	—67.0	1225-1175
September	1145-1158	—71.0	1199-1160
November	1130-1146	—64.5	1185-1145

Sales: 2,138 (1,906) lots of 5 tonnes.

ICO Indicator prices for Nov. 15 (U.S. cents per pound): Colombian Mild Arabicas 172.00 (172.50); unwashed Arabicas 153.50 (same); other mild Arabicas 145.07 (149.33); Robustas ICA 1976 146 (147.00); Robustas ICA 1968 147 (148). Daily average 145.54 (148.17).

GRAINS

LONDON FUTURES (GAFTA)—The market opened unchanged and in fairly quiet trading conditions wheat values eased after initial commercial support at unchanged, to close unchanged to 15p lower. Barley saw reasonable commercial and spec support at 10p lower, particularly in distants. In the afternoon session some country selling was seen but values closed about steady unchanged to 5p higher. Acli reports.

	WHEAT		BARLEY	
M'nth	Yesterday's close	+ or —	Yesterday's close	+ or —
Nov.	89.10	—0.15	81.40	—7.85
Jan.	90.50	—0.15	83.20	—0.10
Mar.	92.95	—0.10	85.50	—0.10
May	95.50	—0.15	88.05	—10.05
Sept.	89.70	......	83.40	—0.10

Business done—Wheat: Nov. 89.30-89.15, Jan. 90.65-90.50, March 93.15-92.95, May 95.75-95.50, Sept. nil. Sales: 101. Barley: Nov. 81.40-81.35, Jan. 83.25-83.20, March 85.60-85.50, May 88.20-87.95, Sept. 83.40-83.40. Sales: 113.

HGCA—Location ex-farm spot prices. Other milling wheat: N. Lincoln 89.50, Hants and W. Sussex 90.50. Feed barley: N. Lincoln 78.20, Hants and W. Sussex 76.40.

The UK monetary coefficient for the week beginning November 20 (based on HGCA calculations) is expected to remain unchanged.

IMPORTED—Wheat: CWRS No. 1, 13½ per cent, Nov.-Dec. 93.50 Tilbury. U.S. Dark Northern Spring No. 2, 14 per cent, Nov. 88.25, Dec. 88.50 transhipment east coast. U.S. Hard Winter 13½ per cent, Dec. 87.25 quoted transhipment east coast. EEC unquoted. Maize: U.S./French unquoted. French Nov. 103.88, Dec. 105.00 east coast. S. African White Grade 1, Jan. 66.40. S. African Yellow Grade 1, Jan. 66.50. Barley: English feed fob Dec. 88.50, Jan. 87.50 east coast. Sorghum: U.S./Argentine unquoted. Oats: Scandinavian Feed unquoted.

EEC DAILY IMPORT LEVIES—The following EEC levies and premiums are effective for November 17 in order of current levy plus December, January and February premiums (with previous in brackets), all in units of account per tonne. Common wheat—80.43, rest nil (79.20, rest nil). Durum wheat—120.96, rest nil (120.96, rest nil). Rye—80.56, rest nil (80.56, rest nil). Barley—87.36, rest nil (86.75, rest nil). Oats—79.56, rest nil (79.56, rest nil). Maize (other than hybrid for seeding)—79.09, rest nil (79.09, rest nil). Buckwheat—1.61, rest nil (1.61, rest nil). Millet—46.80, rest nil 7.35 (46.80, rest nil 735). Grain sorghum—77.95 rest nil (77.95, rest nil). Wheat or mixed wheat and rye flour—122.80 (122.72). Rye flour—124.00 (124.00).

RUBBER

EASIER opening on the London physical market. Good interest at lower levels, closing uncertain. Lewis and Peat reported the Malaysian godown price was 245 (250) cents a kilo (nominal buyer, December).

No. 1 R.S.S.	Yesterday's Close	Previous Close	Business Done
Dec	58.60-59.20	58.65-58.90	60.05-58.50
Jan	59.90-60.00	60.65-60.70	—
Jan-Mar	60.80-60.90	61.60-61.90	62.00-60.40
Apr-Jne	63.55-63.65	64.60-64.65	64.60-63.20
Jly-Sept	65.70-65.80	66.75-66.95	66.95-65.45
Oct-Dec	67.95-68.00	69.05-69.10	69.10-67.00
Jan-Mar	70.10-70.44	71.30-71.35	71.00-70.10
Apr-Jne	72.45-72.50	73.65-73.80	73.10-72.25
Jy-Sept	74.60-74.65	75.75-75.80	75.55-74.60

Sales: 7 (31) at 5 tonnes, 683 (669) lots of 5 tonnes.

Physical closing prices (buyers) were: Spot 58.5p (59.5); Dec. 60p (60.75); Jan. 60.75p (61.75).

SOYABEAN MEAL

	Yesterday Close	+ or —	Business Done
	£ per tonne		
December	115.00-15.5	—3.15	18.50-15.80
February	118.70-18.9	—1.7	19.8-17.70
April	118.6-19.0	—1.9	18.5-19.00
June	119.0-20.0	—2.15	—
August	120.1-21.0	—1.70	21.00-20.90
October	119.80-20.5	—2.1	20.00
December	122.5-22.9	—1.6	—

Sales: 150 lots of 100 tonnes.

SUGAR

REPORTS that Colombia had sold at a low price caused the market to open some 50/75 points below overnight levels, reports C. Czarnikow. The lows were short-lived, however, a shortcovering developed which *found only scattered selling scale-up.* Gains of some £2.50 were recorded before heavier offerings blunted the advance.

Sugar Pref. Comm. Con.	Yesterday's Close	Previous Close	Business Done
	£ per tonne		
Dec	110.55-10.75	108.25-08.45	110.75-08.75
March	114.65-14.70	112.60-12.55	114.95-10.40
May	116.75-16.75	115.00-15.10	117.00-14.75
Aug	119.45-19.65	117.50-17.60	119.70-17.60
Oct	122.50-22.60	120.40-20.75	122.25-21.50
Dec	124.50-24.75	123.00-23.50	124.00
March	128.40-29.50	126.75-27.5	128.00

Sales: 3,783 (2,433) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £264.55 (same) a tonne for home trade and £174.00 (£172.50) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for Nov. 15: Daily 7.94 (7.98); 15-day average 8.47 (8.54).

LONDON DAILY PRICE (raw sugar) £100.00 (same) a tonne cif for Nov.-Dec. shipment. White sugar daily price was fixed at £100.00 (£101.50).

WHITE SUGAR—Close (in order buyer, seller): Feb. 112.15-113.50, April 117.00-117.50, July 122.15-122.50, Sept. 125.50-127.00, Nov. 129.00-131.00, Feb. 134.00-138.00, April 137.00-143.00. Sales 113.

WOOL FUTURES

LONDON—The market was dull and featureless, reports Bache.

(Pence per kilo)

Australian Greasy Wool	Yesterday's Close	+ or —	Business Done
December	229.0-31.0	......	—
March	233.0-35.0	......	—
May	237.0-40.0	......	—
July	230.0-39.0	......	—
October	230.0-38.0	......	—
December	236.0-38.0	......	—
March	237.0-39.0	......	—
May	240.0-44.0	......	—

Sales: Nil (same) lots of 1,500 kg.

NEW ZEALAND CROSSBRED—Close (in order buyer, seller, business, sales). Dec. 186-180, nil, nil; March 183-182, nil, nil; May 185-182, nil, nil; July 186-182, nil, nil; Oct. 192-188, nil, nil; Dec. 196-192, nil, nil; March 196-192, nil, nil; May 198-192, nil, nil. Sales: Nil.

SYDNEY GREASY—Close (in order buyer, seller, business, sales). Micron Contract: Dec. 349.0, 348.6, 348.5-348.2, 47; March 352.8, 353.2, 353.5-353.0, 13; May 357.2, 358.0, 357.5-357.4, 4; July 360.5, 360.8, 361.3-361.2, 4; Oct. 362.5, 363.0, nil, nil; Dec. 364.5, 365.0, 363.0-364.5, 9; March 366.0, 371.0, nil, nil; May 369.0, 374.0, nil, nil. Total sales: 77.

MEAT/VEGETABLES

SMITHFIELD (pence per pound)—Beef: Scottish killed sides 54.0 to 58.5; Eire hindquarters 62.0 to 65.0, forequarters 36.0 to 39.0.

Veal: English fats 66.0 to 72.0; Dutch hinds and ends 83.0 to 88.0.

Lamb: English small 48.0 to 56.0, medium 50.0 to 54.0, heavy 44.0 to 50.0; Scottish medium 50.0 to 54.0, heavy 44.0 to 50.0. Imported frozen: NZ YLs 48.0 to 50.0.

Pork: English, under 100 lb 37.0 to 46.0, 100-120 lb 38.0 to 44.0, 120-160 lb 35.0 to 42.0.

Grouse: Young, best (each) 180.0 to 220.0.

Partridges: Young (each) 200.0 to 240.0.

COVENT GARDEN—Prices in sterling per package except where otherwise stated—Imported Produce: Lemons—Italian: 120s new crop 5.50-5.75; S. African: 5.00-7.00; Spania: Small trays 2.20-2.40; *Cyprus: Trays 4.80-5.20; Boxes* 144/163 6.00-6.50. Oranges—Spania: Navelinas 3.30-3.50; S. African: Valencia Late 2.80-4.50. Satsumas—Spania: Trays 2.20-3.30. Grapefruit—Dominican: 2.80-3.60; Cyprus: 3.00-3.70; Israeli: Jaffa 2.65-3.25; Cuban: 2.60; Texas: Red Blush 3.50. Apples—French: Golden Delicious 20-lb 72 2.40, 84 2.00 2.10; 40-lb 138-163/175 4.50-5.00, jumble pack per pound 0.05, Stark Crimson 20-lb 72 1.90-2.00, 84 1.60; jumble pack approx. 30-lb 1.50-1.80, Granny Smith 20-lb 72 2.40, 84 1.60-1.90, large boxes 138/150/163 3.60-4.50. Pears—Italian: Per pound Williams 0.16-0.17, Passacrassane 0.10. Grapes—Spanish: Almeria 3.00-3.20, Negri 3.20; Italian: White Obanes 2.10-2.40, black Obanes 2.20-2.40. Bananas—Jamaican: Per pound 0.14. Avocados—Israeli: 3.50-3.60. Pineapples—S. African: 7/8s 3.50. Onions—Spanish: 4.00-4.20; Dutch: 1.80-2.00. Melons—Spanish: Green 4.00-4.50; Israeli: Carmel Yellow 4.20-4.90. Tomatoes—Jersey: 2.20-3.00; Spanish: 3.50-4.20; Dutch: 3.50-3.60; Canary: 3.30-4.00. Cucumbers—Canary: 10/16s 2.00-2.40. Capsicums—French: Per pound 0.30; Romanian: 0.35; Canary: 0.35. Dates—Algerian: Per glove box 0.34-0.35; Californian: Tubs 0.30. Pomegranates—Spanish: Per box 40/60s 1.60-2.00. Walnuts—Californian: Per pound 0.52-0.55; Chinese: 0.30.

English Produce: Potatoes—Per 25 kilos 1.20-1.40. Lettuce—Per 12 round 1.00. Mushrooms—Per pound 0.50. Apples—Per pound Bramley 0.04-0.07, Lord Derby 0.04-0.06, Cox's Orange Pippin 0.06-0.14, Worcester Pearmain 0.05-0.07, Russets 0.04-0.08, Spartan 0.06-0.08. Pears—Per pound Conference 0.06-0.14, Comice 0.14-0.15. Cabbages—Per crate 0.70-0.80. Celery—Per head 0.08-0.10. Cauliflowers—Per 12 Lincoln 1.30, Kent 1.50-1.80. Beetroot—Per 28-lb 0.60-0.70. Carrots—Per 28-lb 0.40-0.70. Capsicums—Per pound 0.30-0.35. Courgettes—Per pound 0.30. Onions—Per bag 1.80-2.20, Picklers 2.30-2.50. Swedes—Per 28-lb 0.50. Turnips—Per 28-lb 0.70-0.80. Parsnips—Per 28-lb 0.80-0.90. Sprouts—Per pound 0.04-0.05. Cobnuts—Per pound Kent 0.40.

MEAT COMMISSION—Average fatstock prices at representative markets on November 16. GB—Cattle 67.09p per kg liveweight (—0.19). UK—Sheep 132.2p per kg estdcw (—1.6). GB—Pigs 65.4p per kg liveweight (—1.1). England and Wales—*Cattle numbers down 7.3 per cent, average* price 67.58p (—0.08); sheep numbers down 21.1 per cent, average price 132.1p (—1.7); pig numbers down 6.6 per cent, average price 65.4p (—1.1). Scotland—Cattle numbers up 20.1 per cent, average price 69.28p (—0.94); sheep numbers up 267.6 per cent, average price 131.2p (+6.8).

COTTON

LIVERPOOL COTTON—Spot and shipment sales in Liverpool amounted to 59 tonnes, bringing the total for the week so far to 545 tonnes. Minor replenishment orders reported with only occasional support in African qualities. Other American-type varieties in restrained request.

★

GRIMSBY FISH—Supply moderate, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £5.00-£6.00, codlings £4.00-£4.30; large haddock £4.80-£6.00, medium £4.00-£5.00, small £3.60-£4.00; large plaice £4.80-£5.40, medium £4.40-£5.00, best small £4.00-£4.80; large skinned dogfish £8.50, medium £6.50; large lemon soles £7.30, medium £6.30; reds £2.60; saithe £3.20-£3.80.

★

HIDES—Manchester. Second clear Ox 31-35½ kilos 66p per kilo; 26-30½ kilos 72p; 22-25½ kilos 80p. Light cows withdrawn 72p. No calf offered.

PRICE CHANGES

Price in tonnes unless otherwise stated

	Nov. 16 1978	+ or —	Month ago
Metals			
Aluminium	£710	......	£710
Free market (cif)	$1,178/90	......	$1160.40
Copper cash W Bar	£734.5	+3.25	£743
3 months do. do.	£756.75	+3.0	£764.25
Cash Cathode	£722	+2.0	£732
3 months do. do.	£743.75	+2.25	£753
Gold......Troy oz.	$196	—7.875	$225.625
Lead cash	£387	+9.5	£396
3 months	£377.5	+10.25	£381.75
Nickel		......	
Free Market(cif)(lb)	$1.70	......	$1.78
	1.80	—0.02	190
Platinum troy oz.	£142	......	£130
Free Market	£155.1	—3.95	£171.75
Quicksilver (76lb.)	$135/40	......	$130/25
Silver troy oz.	289p	—4.4	297.6p
3 months	297.1p	—4.4	305.3p
Tin Cash	£7,565	—60.0	£7,655
3 months	£7,447.5	—65.0	£7,525
Tungsten (z)	$145.71	......	$141.56
Wolfram 22.04 cif	$143/48	......	$142/47
Zinc cash	£341.5	+3.25	£346.75
3 months	£357.5	+6.75	£357.5
Producers	$720	......	$675
Oils			
Coconut (Phil)	$875.5r	+5.5	$830
Groundnut	‡	......	
Linseed Crude (v)	£346	......	£326
Palm Malayan	$590w	—10.0	$610
Seeds			
Copra Philip	$570r	—10.0	$545
Soyabean (U.S.)	$271w	—5.0	$280
Grains			
Barley			
Home Futures	£83.2	—0.1	£82.55
Maize			
French No. 3 Am	£105.6	+0.6	£102.5
Wheat			
No. 1 Red Spring	£93.5t	—0.75	£94.5
No.2 Hard Winter	£87.25x	—2.25	‡
English Milling t	£92	......	£91
Cocoa shipment	£2,199	+19.0	£2,038
Future Mar.	£2,153	+19.0	£1,975.5
Coffee Future			
Jan	£1,364.5	—67.5	£1,492
Cotton 'A' Index	78.1c	......	74.4
Rubber kilo	58.5p	—1.0	60p
Sugar (Raw)	£100	......	£108
Wooltops 64s kilo	272p	......	273p

* Nominal. † New crop. ‡ Unquoted. n Nov.-Jan. o Sept. t Nov.-Dec. u Jan. w Dec. x Per ton. z Indicator prices. r Indicator prices.

INDICES

FINANCIAL TIMES

Nov. 16	Nov. 15	Month ago	Year ago
259.42	256.57	260.20	240.83

(Base: July 1, 1952=100)

REUTERS

Nov. 16	Nov. 15	Month ago	Year ago
1503.2	1506.8	1515.7	1489.5

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	Nov. 16	Nov. 15	Month ago	Year ago
Spot	393.42	394.11	396.21	361.38
Futures	388.63	390.07	392.62	318.88

(Average 1924-25-26=100)

MOODY'S

Moody's	Nov. 16	Nov. 15	Month ago	Year ago
Sple Commty	968.9	965.7	985.5	921.4

(December 31, 1931=100)

FARM LOANS EXTENDED

The Agricultural Mortgage Corporation announced yesterday that it was now prepared to grant long-term loans for periods of up to 40 years. Since 1974 the Corporation's long-term loans have been available for a maximum term of 30 years only.

U.S. Markets

Gold rises; cocoa unchanged

NEW YORK, Nov. 16.

PRECIOUS METALS closed higher on speculative buying and short-covering following the sharp declines of recent weeks. Copper closed higher on renewed speculative buying on expectations of only a relatively mild recession next year. Cocoa and sugar closed unchanged on mixed trade and speculative activity, Bache reports.

Cocoa—Dec. 182.25 (182.50), March 182.75 (182.75), May 182.50, July 181.50, Sept. 179.75, Dec. 175.65, March nil. Sales: 1,000.

Coffee—"C" Contract: Dec. 139.00 (144.00), March 131.33 (135.33), May 128.45 asked, July 126.20 asked, Sept. 124.50 asked, Dec. 121.68 asked, March 119.75-120.50.

Copper—Nov. 65.20 (64.20), Dec. 65.70 (64.60), Jan. 66.35, March 67.75, May 69.05, July 70.15, Sept. 71.25, Dec. 72.40, Jan. 73.00, March 73.90, May 74.80, July 75.65, Sept. 76.45. Sales: 8,160.

Cotton—No. 2: Dec. 66.65-66.70 (67.01), March 69.95-70.05 (70.47), May 71.65-71.85, July 72.25, Oct. 67.00-67.20, Dec. 65.96, *March 66.70-66.90, May 66.70-67.50. Sales:* 5,893.

***Gold**—Nov. 198.80 (198.50), Dec. 199.30 (199.10), Jan. 201.00, Feb. 203.20, April 207.20, June 211.20, Aug. 215.30, Oct. 219.40, Dec. 223.70, Feb. 226.10, April 232.60, June 237.10, Aug. 241.60.

†**Lard**—Chicago loose 23.75 (same). NY prime steam 25.25 traded (same).

‡‡**Maize**—Dec. 226¼-226½ (226½), March 236¼-236½ (236), May 244¼, July 246½-245¼, Sept. 249½, Dec. 252.

§**Platinum**—Jan. 302.20-303.50 (309.70), April 304.40-305.50 (312.50), July 306.00-307.70, Oct. 309.10, Jan. 312.50, April 310.50, July 315.90. Sales: 1,537.

§**Silver**—Nov. 561.50 (569.20), Dec. 583.00 (577.30), Jan. 586.00, March 593.10, May 604.00, July 613.10, Sept. 622.30, Dec. 637.00, Jan. 641.90, March 651.60, May 661.40, July 671.30, Sept. 681.20. Handy and Harman spot bullion NY 575.90 (573.00).

Soyabeans—Nov. 645½-646 (643½), Jan. 660-662 (652½), March 672-674, May 680-678, July 686-682, Aug. 680, Sept. 655, Nov. 644-645.

||**Soyabean Meal** — Dec. 180.30-180.00 *(180.10), Jan. 182.00-181.60 (181.00),* March 183.00-183.30, May 183.00-182.50, July 183.00-182.80, Aug. 182.50-183.00, Sept. 181.50, Oct. 178.00-177.50, Dec. 177.50.

Soyabean Oil—Dec. 23.60-23.65 (23.20), Jan. 23.80-23.84 (23.42), March 23.95-24.00, *May 24.05-24.10,* July 24.10, Aug. 24.05-24.10, Sept. 23.70-23.80, Oct. 23.65-23.60, Dec. 23.35-23.45.

Sugar—No. 11: Jan. 8.40-8.50 (8.45), March 8.89-8.93 (8.91), May 9.11-9.12, July 9.32, Sept. 9.50-9.52, Oct. 9.60-9.62, *Jan.* 9.55-9.75, March 10.15-10.19. Sales: 4,060.

Tin—668.00 nom. (698.00).

****Wheat**—Dec. 358-358½ (354½), March 348-348½ (344½), May 339½-339, July 323½-322½, Sept. 324, Dec. 330½.

WINNIPEG, Nov. 16. ††**Rye**—Nov. 103.50 asked (105.00 nom.), Dec. 99.70 asked (102.00), May 106.50 asked, July 110.00 nom.

††**Oats**—Dec. 83.50 bid (82.90 bid), *March 78.60 bid (78.70 asked), May 77.60* bid, July 77.40 bid.

‡‡**Barley**—Dec. 76.60 bid (76.70 bid), March 75.60 bid (75.70), May 75.60 asked, July 75.60 bid.

§§**Flaxseed**—*Nov. 256.00 bid (26.50* asked), Dec. 256.70 asked (259.00 asked), May 262.80, July 262.80 asked, Oct. 263.00.

¶¶**Wheat**—SCWRS 13.5 per cent protein content cif St. Lawrence 184.24 (184.74).

All *cents per pound ex-warehouse* unless otherwise stated. *$s per troy ounce—100-ounce lots. † Chicago loose $s per 100 lbs—Dept. of Ag. prices previous day. Prime steam fob NY bulk tank cars. ‡ Cents per 56-lb bushel ex-warehouse, 5,000-bushel lots. § $s per troy ounce for 50-oz units of 99.9 per cent purity delivered NY. ¶ Cents per troy ounce ex-warehouse. || New "B" contract in $s a short ton for bulk lots *of 100 short tons delivered fob cars* Chicago, Toledo, St. Louis and Alton. ** Cents per 59-lb bushel in store. †† Cents per 24-lb bushel. ‡‡ Cents per 48-lb bushel ex-warehouse. §§ Cents per 56-lb bushel ex-warehouse, 1,000-bushel lots. ¶¶ C$ per tonne.

COMPANY NOTICES

CONSOLIDATED COMPANY BULTFONTEIN MINE, LIMITED

GRIQUALAND WEST DIAMOND MINING COMPANY, DUTOITSPAN MINE, LIMITED

(Both Incorporated in the Republic of South Africa)

DECLARATION OF DIVIDENDS

NOTICE IS HEREBY GIVEN that the directors of the abovementioned *companies* have declared dividends for the half-year ending 31st December, 1978 payable to shareholders registered in the books of the respective companies on 29th December, 1978. The dividends have been declared in the currency of the Republic of South Africa.

Warrants will be posted from the Johannesburg and the United Kingdom *offices of the transfer secretaries* on or about 1st February, 1979. Registered shareholders paid from the United Kingdom will receive *the United Kingdom* currency equivalent on 23rd January, 1979, of the rand value of their dividends (less appropriate taxes). Any such shareholders may however elect to be paid in South African currency, provided that the request is received at the offices of the companies' transfer secretaries in Johannesburg or in the United Kingdom on or before 29th December, 1978.

The effective rate of non-resident shareholders' tax is 15 per cent.

The dividend is payable subject to conditions which *can be inspected* at the head and London offices of the companies and also at the offices of the companies' transfer secretaries in Johannesburg and the United Kingdom.

Company	South African Currency Per Share
Consolidated Company Bultfontein Mine, Limited	5½ cents
Griqualand West Diamond Mining Company, Dutoitspan Mine, Limited	25 cents

By order of the Boards
For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. Greensmith

London Office:
40 Holborn Viaduct,
EC1P 1AJ.

Office of United Kingdom Transfer Secretaries:
Charter Consolidated Limited,
P.O. Box 102,
Charter House, Park Street,
Ashford, Kent. TN24 8EQ.

17th November, 1978.

LEGAL NOTICES

No. 003628 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of ABIBTOOS LIMITED and *In the Matter of* The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of *Justice was on the* 14th day of November 1978, presented to the said Court by UMBERTO GUIDI and BRUNO GUIDI together trading as LANIFICIO ILVA (a firm) of Via Pistolese 132/138, 50042, Prato, Italy, manufacturers and suppliers of material, and that the said *Petition* is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 18th day of December 1978, and any creditor *or contributory of the said* Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the *said Company* requiring such copy on payment of the regulated charge for the same.

A. E. HAMLIN & CO.,
Roxburghe House,
273-287, Regent Street,
London W1R 8AD.
Ref: 100/JMP/1. 1968
Tel: 01-629 1209.
Solicitors for the Petitioners.

NOTE.—Any person who intends to appear on the hearing of the *said Petition* must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, *if a firm* the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post *in* sufficient time to reach the above-named not later than four o'clock in *the afternoon of the* 15th day of December 1978.

STOCK EXCHANGE REPORT

Equities gloomy after Treasury economic forecast

30-share index falls 4.6 more to 471.0—Short Gilts rise

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Oct. 30	Nov. 9	Nov. 10	Nov. 21
Nov. 13	Nov. 23	Nov. 24	Dec. 5
Nov. 27	Dec. 7	Dec. 8	Dec. 19

*"New time" dealings may take place from 9.30 a.m. two business days earlier.

The Treasury's cautious view of economic prospects next year—continued expansion in activity is expected but at a slower rate—and doubts about the underlying figures on which it was based caused another and broader markdown in equities yesterday. Institutional sources were again unresponsive and the mood deepened following the Royal/Shell third-quarter figures.

These were adjudged extremely disappointing and sent leading industrials easier still, despite slightly stronger hopes that the prolonged Ford dispute may shortly be settled. Another influence contributing to the extended reaction was the Chancellor's admission that no fresh talks would be opened with the TUC on the aborted anti-inflation statement.

The scene was thus set for another very slow day and, although the amount of stock coming onto the market was generally small, buyers were just not interested. It was no surprise, therefore that the number of bargains fell to the pitiful level of 3,909 against the previous day's 4,936.

Measured by the FT Industrial Ordinary share index, the easiness was most apparent at around midday when the fall was 6.7 points. Rallies were attempted but proved unsuccessful until the October money supply figures were announced. The gloom then cleared a little and prices hardened here and there to reduce the loss in the index to a net 4.6 at 471.0.

Fresh investment funds were drawn to short-dated Gilt-edged securities on the assumption that the current yield structure was attractive, particularly if interest rates have peaked out. Views that the authorities would probably issue a long, in preference to a short, tap when it is decided to announce a replacement stock, perhaps today, also encouraged a certain amount of buying.

The longer maturities were restrained by tap possibilities but soon regained marginal losses and were edging higher late in the day, helped by the latest money supply statistics.

South African Gold shares went lower on the fall in the price of bullion, but the effect of this was countered to an extent by the stronger investment currency premium. Nevertheless, the FT Gold Mines index lost 3.3 more to equal the low for the year of 130.3; expressed in dollar terms, the ex-premium index gave up 4.4 at 91.5.

Conditions remained thin in the investment currency market but institutional demand and short covering by small professional clients left the premium with a fresh rise of 4½ at 89¾ per cent. Yesterday's SE conversion factor was 0.7021 (0.7179).

Only 585 contracts were done in the Traded Option market, a further contraction on the previous day's total of 751 and Tuesday's 1,230, but slightly higher than last week's daily average of 426. Nearly a third of the deals yesterday were completed in Grand Metropolitan.

Royals dip and rally

Easier at 343p in front of the third-quarter figures, Royals rallied on the better-than-expected profits to close unchanged on the day at 348p. General Accident hardened 2 to 204p following further consideration of their good third-quarter performance and Phoenix rose 4 to 220p in response to a newspaper mention. Dealings in Lloyd's broker Sedgwick Forbes, 410p, were surprisingly suspended after-hours at the company's request pending a statement; details of talks about a likely tripartite international merger were released well after dealings had ceased.

Quietly dull conditions prevailed in the major clearing banks and closing falls ranged to 5. Elsewhere, Australian issues moved higher on domestic and investment currency influences. ANZ gained 13 to 288p and Bank of New South Wales added 10 to 540p. German concern Deutsche rose 2¾ points to £116½. In Merchant banks, Brown Shipley cheapened 3 more to 245p on further consideration of the disappointing interim report and Keyser Ullmann gave up 2 to 48p following comment on the first-half figures.

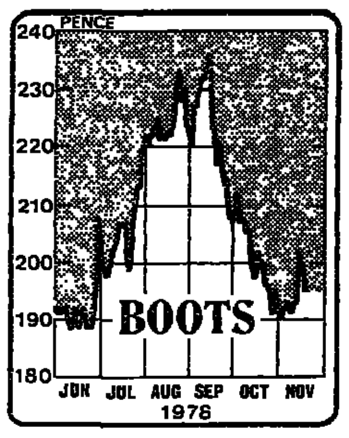
Housebuilders Milbury provided an isolated firm spot rising 9 to 54p ahead of today's interim results. Elsewhere in dull Buildings, a lack of buyers and occasional offerings clipped 2 from Marley at 68p and 3 from Blue Circle at 253p. RMC eased 2 to 125p and Tunnel "B" 6 to 274p. Awaiting today's interim statement, FPA Construction shed 2 to 16p; the announcement of a £3.7m defence contract made no impact. Modern Engineers of Bristol, a recent takeover favourite, gave back 4 at 47p.

ICI drifted 4 lower to 364p, but Fisons, down to 307p at one stage, rallied to close unchanged at 311p.

Stores dull

Interest in leading Stores was at a low ebb and prices drifted lower, Gussies "A" declining 6 to 296p. Elsewhere, the picture was much the same with falls of 4 being recorded in Currys, 169p, Empire, 163p, and Raybeck, 88p. Wallis provided an exception at 83p, up 3, after revived demand in a thin market, while Stylo gained 2 more at 69p in Shoes on further speculative buying.

The Electrical leaders fluctuated narrowly and closed without much alteration on the day. Press comment on the half-yearly results prompted further selling of Chloride, which closed 7 off at 104p for a two-day fall of 12. Farnell reacted afresh to 360p, down 7, and United Scientific gave up 6 to 252p while Electrocomponents, after recent firmness, lost 5 to 280p. Decca remained on offer at 415p, down 8, with the



A shares 5 lower at 405p. Newman Industries were quoted ex-rights at 78p, with the new shares closing at 3½p premium.

Dullness in the Engineering leaders mainly reflected the absence of support. John Brown eased afresh to 394p, down 4, with the new shares a similar amount off at 46p premium, while falls of around 3 were recorded in Hawker Siddeley, 224p, after 222p, GKN, 259p, and Vickers, 192p. Secondary issues also tended lower, where altered. Edbro came back 5 to 220p, while Hill and Smith closed 4 down at 64p. Against the trend, Wm. Boulton responded to favourable Press mention with a rise of 1 to 19½p, while Ash and Lacy encountered further buying interest and put on another 4 to 146p.

Foods remained sensitive and J. Sainsbury eased 5 to 225p. Tesco 2 to 52½p, Unigate 3 to 68p and Bejam 4 to 60p. Despite higher annual profits and the Board's optimism on current trading, Kwik Save shed 5 to 82p, while the lower interim results left P. Panto a penny down at 26p.

In Hotels, lack of interest and small selling left quotations with falls to 5.

J. W. Spear fall

The Treasury's forecast of slower economic expansion next year served to depress the miscellaneous Industrial leaders further. Still overshadowed by its proposed £82½m rights issue, Beecham closed 3 down at 620p, after 618p, while Boots ended the same amount down at 195p, after 191p, following the disappointing interim results. Pilkington relinquished 8 to 275p, while Reed International cheapened 6 to 150p as did Unilever to 536p. Elsewhere, J. W. Spear dropped 27 to 193p on the interim profits setback, and Braby Leslie gave up 5 to 66p following a standstill in interim earnings. Dealings in Hoskins and Horton were resumed at 163p compared with the suspension price of 168p and, in thin trading, the shares finished at 152p reflecting disappointment that Talbex had sold its near-30 per cent stake and that bid talks have been terminated; Talbex also resumed trading and finished a fraction harder at 15½p following an active business. Long and Hambly added 5 to 43p in response to the preliminary results and Broken Hill Proprietary rose 20 to 665p on confirmation of the existence of hydrocarbons at the Fotescue 2 oil well. Dealings in Staflex were suspended, at 7½p, at the company's request pending the sale of its European Marketing interests.

In the Leisure sector, Press comment on bid prospects drew attention to Norton and Wright which gained 6 to a high for the year of 136p.

The Ford dispute continued to depress Motors, although a few buyers were showing a little interest at the lower levels. Components, hit by possible short-time working, fell back with Lucas losing 6 at 294p, after 292p. In Distributors, Ford main dealers were again affected by supply shortage; Heron Motor reacted 3 to 97p, with the 10 per cent Convertible 10 lower at £170 and Tate of Leeds shed 3 to 69p. Despite a 26 per cent rise in six-month profits, Godfrey Davis gave up 2½ to 92p on fears about current trading. Elsewhere, Group Lotus hardened 2 to 47p on news of a design agreement with the De Lorean concern.

In Paper/Printing, Clondalkin rose 15 to 102p in response to an investment recommendation.

Leading Properties recovered earlier modest falls and closed virtually unchanged, but lacklustre secondary issues extended Wednesday's decline. Hammerson A and Churchbury Estates gave up 5 to 580p and 300p respectively, while Chesterfield shed 8 to 340p. Allied London eased a penny to 57p; the chairman's disclosure about the sale of Peachey shares acquired at the time of the abortive bid made little impact; Peachey eased a penny to 79p on further consideration of the annual results. A good market of late on the sharply higher profits and the proposed separation of property investments from housebuilding, Bellway gave up 2½ to 72p, but, on the appearance of the occasional buyer, Mountview Estates firmed 2 to 87p.

Shell disappoint

Oils traded on a quietly dull note, sentiment being undermined by disappointing third-quarter figures from Shell which reacted to 566p following the statement before closing at 570p for a fall of 7 on balance. British Petroleum moved in sympathy and closed a net 2 down at 904p, after 900p. Dollar premium influences, however, left Royal Dutch ⅛ to the good at £43½. Outside the leaders, satisfactory nine-monthly figures failed to help Ultramar, down 4 at 226p. Renewed speculative interest left Oil Exploration 2 higher at 228p, after 232p, while Siebens (UK) were also firm at 262p, up 4.

P and O Deferred remained a poor market at 77p, down 2½, sentiment not being helped by a Press suggestion that the company may call for Government assistance. Elsewhere in Shippings, better-than-expected interim results left British and Commonwealth 4 higher at 291p.

In generally lower Textiles, Courtaulds eased 2 to 113p ahead of next Wednesday's interim results. Illingworth Brothers lost ¾ to 10½p on the company's gloomy comments on current trade. On further consideration of the previous day's mid-term statements, David Dixon, 110p, and Sekers International, 34p, cheapened 2 and 1 respectively. Parkland "A," on the other hand, attracted interest and improved 3 to 74p, while Allied Textile put on 2 to 144p for a two-day rise of 8.

Golds down again

A strong improvement in the dollar caused a sharp decline in the bullion price, which fell through the $200 an ounce level for the first time since late August, and prompted renewed selling of South African Gold shares.

The bullion price was finally $7.875 lower at $196.0 per ounce while the Gold Mines index lost 3.3 more to 130.3—a three-day fall of 7.8 and its lowest level since the beginning of the year. The ex-premium index dropped 4.4 to 91.5.

Gold shares were marked down at the outset, reflecting the overnight weakness of the bullion price in American markets, and thereafter tended to drift on lack of interest although Continental buying steadied prices at the lower levels.

Also sustaining prices in sterling terms was a further rise in the investment currency premium.

Heavyweights fell by up to ½ as in Hartebeest, £11¼, West Driefontein, £19⅞ and Free State Geduld, £12¼, while in the lower priced issues new lows for 1978 were seen in Elsburg, 5½ off at 72½p, Western Areas, 6 down at 116p and Loraine, which gave up 3 to 62p.

The weakness of the bullion price and the downturn in the equity market depressed Financials. Of the South African issues, Anglo American and De Beers were both around 3 cheaper at 296p and 348p respectively, while Gold Fields of South Africa declined ½ to £11.

Among London-registered issues further consideration of the half-year results left Charter another 6 lower at 126p. Gold Fields and Rio Tinto-Zinc were both a similar amount easier at 168p and 232p respectively.

Australians were boosted by the firmer premium. Diamond exploration issues gained ground with Northern Mining 8 up at 82p, while Haoma Gold rose 4 to 28p.

Elsewhere, Westfield Minerals soared 67 to 234p, after 244p, following the latest quarterly report.

Other Northgate group companies to move ahead included Northgate themselves, which climbed 65 to 435p and Anglo United which put on 10 to 220p.

FINANCIAL TIMES STOCK INDICES

—	Nov. 16	Nov. 15	Nov. 14	Nov. 13	Nov. 10	Nov. 9	A year ago
Government Secs.	68.27	68.28	68.28	67.98	67.92	68.08	76.88
Fixed Interest	69.56	69.82	69.41	69.30	69.56	69.80	79.27
Industrial	471.0	475.6	487.5	474.5	473.2	471.7	481.0
Gold Mines	130.3	133.6	137.8	138.1	136.5	135.7	136.1
Gold Mines (Ex-$ pm.)	91.5	95.9	100.2	99.7	99.1	99.3	98.7
Ord. Div. Yield	6.02	5.72	5.59	5.71	5.75	5.76	5.56
Earnings, Y'ld% (full)	16.06	15.99	15.64	15.97	16.07	16.12	16.72
P/E Ratio (net) (*)	8.06	8.11	8.30	8.13	8.07	8.05	8.50
Dealings marked	3,909	4,936	4,247	4,573	4,396	4,107	4,325
Equity turnover £m	—	74.66	73.10	55.78	75.48	57.85	60.28
Equity bargains total	—	14,543	14,213	13,573	14,819	12,940	11,590

10 am 472.5. 11 am 469.8. Noon 468.9. 1 pm 470.0. 2 pm 469.2. 3 pm 469.9.
Latest Index 01-246 8026.
*Nil=7.85.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. Ex-$ pm index started June, 1972. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (3/1)	67.92 (10/11)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	69.30 (15/11)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	535.5 (14/9)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	206.8 (14/8)	130.3 (3/1)	442.3 (22/5/75)	43.5 (26/10/71)
Gold Mines Ex-$ pm.	132.3 (14/8)	90.3 (15/6)	337.1 (3/4/74)	54.3 (26/6/76)

S.E. ACTIVITY

—	Nov. 16	Nov. 15
—Daily		
Gilt Edged	143.2	187.5
Industrials	128.6	164.5
Speculative	31.1	32.9
Totals	88.0	113.6
5-day Average		
Gilt-Edged	172.5	181.7
Industrials	143.1	144.7
Speculative	33.3	33.0
Totals	100.9	101.5

LONDON TRADED OPTIONS

Option	Ex'rcise price	January Closing offer	January Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP	900	40	16	72	[illegible]	90	[illegible]	904p
BP	950	12	3	39	[illegible]	63	[illegible]	
Com. Gold	160	17	35	26	[illegible]	[illegible]	[illegible]	
Cons. Gold	180	5	15	12	[illegible]	[illegible]	[illegible]	
Courtauld	110	7	[illegible]	12	[illegible]	15	[illegible]	
Courtauld	120	2	[illegible]	6	[illegible]	[illegible]	[illegible]	
GEC	460	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GEC	500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Grand Met.	100	9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Grand Met.	110	4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
ICI	330	43	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
ICI	360	22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
ICI	390	7½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
ICI	420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Land Secs.	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Land Secs.	220	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Marks & Sp.	70	16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Marks & Sp.	80	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Marks & Sp.	90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Shell	500	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Shell	550	30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Shell	600	5½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Totals			245		105		[illegible]	

Option	Ex'rcise price	November Closing offer	November Vol.	February Closing offer	February Vol.	May Closing offer	May Vol.	Equity close
BOC Intl.	70	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots	180	12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots	200	2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Boots	220	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Boots	240	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
EMI	140	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Totals			25		159		[illegible]	

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978

NEW HIGHS (4)
INDUSTRIALS (1)
Sandhurst Marketing
LEISURE (1)
Norton and Wright
TEXTILES (1)
Sirdar
MINES (1)
Patino NV

NEW LOWS (29)
CORPORATION LOANS (1)
Liverpool 9½pc '83-84
BANKS (2)
Hill Samuel Warrants — Lloyds & Scottish
STORES (2)
Debenhams — Grattan Warehouses
ELECTRICALS (1)
United Scientific
ENGINEERING (3)
I.M.I. — Tex Abrasives
Sykes (Henry)
HOTELS (1)
Ladbroke
INDUSTRIALS (8)
Abbey — Hawkins and Tipson
EE and EA — Hestair
Camrex — Hoover "A"
Elswick-Hopper — Spear (J. W.)
MOTORS (3)
Dunlop — Bramall (C. D.)
Braid Group
PROPERTY (1)
McInerney
SHIPPING (1)
P & O Defd.
TRUSTS (1)
Prog. Secs. Inv.
TEAS (1)
Assam Frontier
MINES (4)
Elsburg — Western Areas
South Vaal — Loraine

YESTERDAY RISES AND FALLS

	Up	Down	Same
British Funds	20	—	56
Corpns., Dom. and Foreign Bonds	5	2	54
Industrials	191	453	885
Financial and Prop.	65	157	290
Oils	11	8	18
Plantation	1	14	16
Mines	31	62	48
Recent Issues	4	4	14
Totals	328	702	1,381

APPOINTMENTS

NatWest regional directors

Mr. Christopher J. B. Hatton has been appointed a director of the North Regional Board of NATIONAL WESTMINSTER BANK and Mr. Edwin J. Thompson, has become a director of the West Midlands and Wales Regional Board. Mr. Hatton is chairman of Greenall Whitley and Company and Mr. Thompson is chairman and managing director of the Wolverhampton and Dudley Breweries.

Mr. A. F. Bishop has been appointed a director of R. B. HUNT AND PARTNERS. Mr. E. R. Forsyth has become a director of R. B. Hunt (Chartering), an associated company. Both have represented the partnership in Tokyo and Mr. Forsyth will be moving to Hong Kong in March to take charge a joint shipping venture with Ralli Hong Kong.

★

Mr. Stanley R. Harding, a director of Hill Samuel and Co., has been appointed chairman of the OILFAB GROUP, consultant engineers in Aberdeen. Oilfab is working with Union Oil on the Heather Field project. Other appointments to the main Board of the Oilfab Group are Mr. David Bennett, and Mr. Greg Marshall.

★

Mr. S. I. Redstone has become group managing director of the LESSER GROUP. He joined the group in 1972, and was previously managing director of Lesser Land and a group Board director.

★

Prince Michael of Kent has been elected president of the INSTITUTE OF THE MOTOR INDUSTRY for 1978-79.

★

Mr. M. C. Hughes, vice-president of Texasgulf Export Corporation, has been elected chairman of COPPER DEVELOPMENT ASSOCIATION replacing Mr. R. C. R. Toller, who recently retired as the representative of Mount Isa International Pty. Mrs. N. Cabero, European director of the Chilean Copper Commission in Paris, has also become a vice-chairman of the association, with Mr. R. V. Mellon, marketing director of Inco Europe.

★

BAYERISCHE LANDESBANK GIROZENTRALE states that formal permission has now been granted by the Bank of England upgrading its London office to branch status. Dr. Wolfgang Nibler and Mr. Victor Stevens have been appointed joint London managers.

★

Mr. S. F. Moore has been appointed chairman of the BRITISH VALVE MAUFACTURERS' ASSOCIATION.

★

Mr. Don Collins has been appointed managing director of FAIRMILE ENGINEERING. He was previously managing director of Bourne Steel, where he is succeeded by Mr. Roger King, previously deputy managing director.

★

Mr. L. D. Grider, manager of engineering, has been appointed an executive director of RUSTON-BUCYRUS and Mr. R. G. Olander has become a non-executive director. Mr. E. P. Berg, Mr. J. A. Thierry and Mr. P. V. Carter will retire from the Board on December 31, 1978.

★

Mr. Robert Campbell, chief executive to the Epping Forest District Council since 1977, has been appointed chief executive of the INSTITUTION OF CIVIL ENGINEERS in place of Rear Admiral Garth Watson, who retires in February 1979 after serving 11 years in the post. Mr. Campbell takes up his appointment on February 1.

★

Mr. Graham Pusey, has been appointed a director of NATIONAL UTILITY SERVICE INC. (UK).

★

Mr. Knud Hansen, Mr. A. G. Perry and Mr. Bernard H. Flashman have joined the Board of STORNO. Mr. Finn Meiland, former managing director, has retired and is now with General Electric Company of the U.S., the parent concern.

★

Mr. Nicolas McAndrew has been appointed a director of N. M. ROTHSCHILD AND SONS and managing director of N. M. ROTHSCHILD ASSET MANAGEMENT from January 1.

★

Mr. David Burn has joined SIR JOSEPH CAUSTON AND SONS as works director.

★

Mr. Nicholas Samuelson is to join the holding Board of JARDINE MATHESON INSURANCE BROKERS and will become chairman of the UK company and the life and pensions company. He was previously managing director of Bland Payne (UK).

★

Mr. Graham Pusey has been appointed a director of NATIONAL UTILITY SERVICE INC (UK).

★

Mr. Lew Small is to be appointed managing director of RANK LEISURE SERVICES in place of Mr. Raymond Dutfield, who will be taking up a position outside the Rank Organisation early next year. Mr. Small joined Rank in 1946 and was made a member of the Board of Rank Leisure Services in 1969 as director of technical services. He became assistant managing director of that company in 1976.

★

A corrected agency announcement states that Miss Josephine Prevost and Mr. Rex Pingle have not joined the Board of CHEMICAL ASIA, the Hong Kong merchant bank, as reported yesterday. They have become assistant directors.

★

Mr. David McWilliam, an assistant general manager (international) MIDLAND BANK and previously managing director of Thomas Cook Bankers has been appointed treasurer (international) Midland Bank.

★

Mr. Maldwyn Thomas, chairman of Rank Xerox, has been appointed a non-executive director of INTERNATIONAL MILITARY SERVICES.

★

Mr. David Band, vice-president of MORGAN GUARANTY TRUST COMPANY OF NEW YORK, has become general manager at the bank's Paris office in place of Mr. Jean-Louis Masurel.

★

Mr. Stan Cooper is to join the Board of TIDD STRONGBOX as sales director from November 20.

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Nov. 21	Dec. 4	Feb. 22	Mar. 6
Dec. 5	Dec. 18	Mar. 8	Mar. 20
Dec. 19	Jan. 8	Mar. 22	Apr. 3

For rate indications see end of Share Information Service

Stocks to attract money for the call included Swan Hunter, Avon Rubber, Loraine Gold, Ladbroke Warrants, U.D.T., John Brown Oil Exploration, Premier Consolidated, GEC, Maple Stores, Hongkong and Shanghai Banking, Valor, Cadbury Schweppes, and Swire Properties. No puts were reported but a double option was completed in Mersey Docks Units.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
Shell Transport	25p	14	570	−7	602	484
BP	£1	13	904	−2	926	720
ICI	£1	10	364	−4	421	328
Rank Org.	25p	9	240	−2	298	226
BATs Defd.	25p	8	235	—	304	227
Barclays Bank	£1	8	343	−5	368	296
Distillers	50p	8	196	−1	215	163
Grand Met.	50p	7	104	−1	121	87
Inchape	£1	7	355	−5	445	350
Lucas Inds.	£1	7	294	−6	336	240
Midland Bank	£1	7	343	−5	390	330
P. & O. Defd.	£1	7	77	−2½	118	77
Talbex	5p	7	15½	+½	25½	14
Beecham	25p	6	620	−3	743	583
Boots	25p	6	195	−3	237	184

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
42½	F.P.	24/11	48	43	Arncliffe Hldgs.	45	.....	ø2.25	2.4	8.6	6.9
A$0.68	F.P.	—	70	64	Ashton Mining 50c	68	+4	—	—	—	—
101	F.P.	22/11	[illegible]	345	Ferranti New	362	−3	ø5.75	[illegible]	4	9.6
‡‡	F.P.	24/11	36	27½	Manor Nat Grp Mots	30	+½	ø2.14	1	10.7	10.4
‡‡	F.P.	—	122	100	Rightwise	113	+5	—	—	—	4.7

FIXED INTEREST STOCKS

Issue Price	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price	+ or −
£99¾	F.P.	—	[illegible]	[illegible]	Anglesey Variable 1985	99½	−⅛
¶	[illegible]	4/1	[illegible]	[illegible]	Bristol Waterworks 7% Prf. 1983	10	.....
F100	F.P.	16/11	107	101	Crawley House 10% Conv. [illegible]	100	−1
£1	F.P.	—	99	98	Newman Inds 10½% Acc. Pref.	99p	.....
[illegible]	[illegible]	26/10	[illegible]	115	[illegible]	[illegible]	.....
£97½	£10	25/1	9½	9	Rickmansworth & Uxbridge Water 7% 85	9¼	.....
‡‡	F.P.	—	125	105	Rightwise 10% Conv. Uns. 1995	125	..
£99½	£50	10/1	49	46	Southwark Corp. 12¼% Red. 1987	46	.....
£97½	£10	26/1	9¾	9¼	West Kent Water 7% Pref. 1983	9½	.....

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date		1978 High	1978 Low	Stock	Closing Price p	+ or −
30	F.P.	7/11	24/11	69	68½	Astbury & Madeley	68	.....
55	F.P.	30/10	24/11	[illegible]	57	Blackwood Hodge	57	.....
350	Nil	—	—	64pm	46pm	Brown (J.)	46pm	−4
67	Nil	29/11	5/1	5½pm	4½pm	Capper-Neill	4½pm	−½
12	[illegible]	18/10	[illegible]	[illegible]	[illegible]	[illegible]	15½	.....
88	F.P.	17/11	8/12	110	104	[illegible] & Harvey	110	+1
74	Nil	—	—	6pm	5½pm	Newman Inds.	5½pm	..
155	F.P.	[illegible]	8/12	[illegible]	170	[illegible]	170	−2

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. r Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS
GROUPS & SUB-SECTIONS
Figures in parentheses show number of stocks per section

		Thur., Nov. 16, 1978 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 33%)	Est. P/E Ratio (Net)	Wed. Nov. 15 Index No.	Tues. Nov. 14 Index No.	Mon. Nov. 13 Index No.	Fri. Nov. 10 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (171)	227.04	−1.0	17.18	5.58	7.99	229.38	232.54	227.96	226.59	202.70
2	Building Materials (27)	192.87	−1.4	18.33	5.87	7.51	195.69	196.86	193.67	193.27	190.61
3	Contracting, Construction (28)	360.84	−1.2	20.57	4.50	6.98	365.32	368.73	360.29	360.11	332.28
4	Electricals (14)	528.59	−0.6	13.74	3.51	10.06	532.04	544.93	532.95	523.83	424.32
5	Engineering Contractors (14)	356.79	−1.8	18.06	6.23	7.51	363.51	367.92	361.21	355.34	281.05
6	Mechanical Engineering (72)	178.17	−0.9	18.64	6.25	7.19	179.80	181.63	177.88	177.27	159.10
8	Metals and Metal Forming (16)	160.46	−0.9	16.94	8.91	8.20	161.98	164.21	161.74	163.20	158.74
	CONSUMER GOODS										
11	(DURABLE) (53)	198.88	−1.4	17.68	5.38	7.59	201.67	202.83	198.87	199.05	194.85
12	Lt. Electronics, Radio, TV (16)	245.36	−1.4	14.81	4.18	9.47	248.87	250.54	245.76	244.76	236.90
13	Household Goods (12)	169.82	−0.5	17.93	6.70	7.68	170.72	169.82	169.45	169.49	182.48
14	Motors and Distributors (25)	118.16	−1.5	22.52	7.13	5.66	119.99	120.80	117.86	119.00	116.00
	CONSUMER GOODS										
21	(NON-DURABLE) (172)	203.39	−1.0	16.32	6.14	8.26	205.51	209.46	203.13	202.04	197.76
22	Breweries (14)	224.59	−0.7	15.11	6.34	9.21	226.16	230.27	225.36	221.18	226.58
23	Wines and Spirits (6)	276.61	−0.7	15.39	5.20	9.70	278.65	283.51	274.70	269.75	230.04
24	Entertainment, Catering (17)	252.31	−1.1	14.49	6.97	10.07	255.09	261.41	253.74	251.65	254.43
25	Food Manufacturing (19)	200.25	−1.1	19.00	5.57	7.02	202.56	205.73	200.70	199.22	195.74
26	Food Retailing (15)	216.00	−2.6	14.20	5.48	9.81	221.74	224.91	220.37	219.78	206.23
32	Newspapers, Publishing (12)	367.89	−0.7	21.48	6.58	6.58	370.64	371.78	369.08	369.93	335.53
33	Packaging and Paper (15)	130.23	−1.4	19.78	7.65	6.66	132.12	132.85	130.91	130.77	126.95
34	Stores (40)	192.09	−0.8	11.87	4.84	12.14	193.60	198.99	191.18	190.54	190.00
35	Textiles (25)	173.66	−1.2	18.80	8.42	6.90	175.69	176.79	173.33	173.72	164.87
36	Tobaccos (3)	224.19	−0.7	24.56	8.36	4.82	225.87	230.30	221.21	220.23	217.72
37	Toys and Games (6)	92.77	−2.1	24.44	6.97	4.79	94.74	95.19	94.25	94.19	108.15
41	OTHER GROUPS (99)	192.25	−1.3	16.30	6.43	7.89	194.74	197.53	193.48	192.79	190.62
42	Chemicals (19)	274.84	−1.1	16.66	6.88	7.82	277.97	283.02	277.10	273.82	299.01
43	Pharmaceutical Products (7)	241.82	−1.1	11.69	4.76	10.42	244.42	250.49	245.49	245.34	0.00
44	Office Equipment (6)	125.32	−0.9	19.39	6.08	6.15	126.50	126.90	125.51	125.23	122.59
45	Shipping (10)	395.78	−1.3	15.70	7.64	8.13	400.83	403.30	400.42	402.88	459.83
46	Miscellaneous (57)	206.57	−1.6	18.27	6.83	7.27	209.98	211.61	206.36	205.60	199.64
49	INDUSTRIAL GROUP (495)	212.81	−1.1	16.64	6.01	8.05	215.21	218.58	213.24	212.26	203.79
51	Oils (5)	508.35	−0.7	13.75	3.95	7.90	511.88	519.11	512.41	498.86	505.30
59	500 SHARE INDEX	237.23	−1.0	16.18	5.69	8.03	239.75	243.44	237.94	236.02	228.50
61	FINANCIAL GROUP (100)	160.35	−0.7	—	6.09	—	161.55	163.47	160.46	158.75	163.32
62	Banks (6)	185.23	−1.6	25.20	6.33	5.95	188.29	191.19	188.57	186.48	186.87
63	Discount Houses (10)	203.82	+0.5	—	8.63	—	202.79	202.79	199.87	199.97	204.27
64	Hire Purchase (5)	136.39	−0.6	17.86	6.04	7.39	137.18	137.92	138.26	138.26	171.10
65	Insurance (Life) (10)	128.26	−1.2	—	7.32	—	129.82	130.26	128.48	127.94	137.03
66	Insurance (Composite) (7)	119.23	+0.2	—	7.35	—	119.03	120.79	118.69	117.13	128.96
67	Insurance Brokers (10)	319.24	−0.7	14.96	5.24	9.54	321.58	323.05	314.24	312.70	315.04
68	Merchant Banks (14)	75.67	−0.8	—	6.47	—	76.29	76.39	76.12	76.55	83.90
69	Property (31)	248.27	−0.6	3.71	3.03	45.01	249.78	254.03	245.05	242.46	223.77
70	Miscellaneous (7)	104.74	—	24.15	8.03	5.36	104.71	104.74	104.74	105.04	102.74
71	Investment Trusts (50)	200.49	−0.4	—	5.31	—	201.33	201.38	200.49	200.76	194.91
81	Mining Finance (4)	100.14	−2.7	18.77	7.11	6.56	102.95	105.00	102.71	100.94	87.33
91	Overseas Traders (19)	306.04	−1.1	16.14	7.68	7.76	309.49	309.46	309.05	310.29	276.24
99	ALL-SHARE INDEX (673)	216.60	−1.0	—	5.81	—	218.80	221.84	217.26	215.53	209.98

FIXED INTEREST PRICE INDICES

	British Government	Thur. Nov. 16	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	103.04	+0.17	—	8.19
2	5-15 years	111.99	+0.02	—	10.15
3	Over 15 years	116.25	—	—	12.95
4	Irredeemables	128.39	—	—	8.04
5	All stocks	109.81	+0.07	—	9.92

FIXED INTEREST YIELDS
Br. Govt. Av. Gross Red.

			Thur. Nov. 16	Wed. Nov. 15	Year ago (approx.)
1	Low	5 years	9.60	9.60	6.48
2	Coupons	15 years	11.44	11.44	[illegible]
3		25 years	11.76	[illegible]	[illegible]
4	Medium	5 years	12.61	12.60	[illegible]
5	Coupons	15 years	12.57	12.57	[illegible]
6		25 years	12.62	12.60	[illegible]
7	High	5 years	12.60	12.62	[illegible]
8	Coupons	15 years	13.21	13.20	[illegible]
9		25 years	13.27	13.26	[illegible]
10	Irredeemables		12.11	12.11	[illegible]

		Thurs. Nov. 16 Index	Thurs. Nov. 16 Yield %	Wed. Nov. 15	Tues. Nov. 14	Mon. Nov. 13	Friday Nov. 10	Thurs. Nov. 9	Wed. Nov. 8	Tues. Nov. 7	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	56.10	13.46	56.10	56.10	56.07	56.13	56.32	56.06	56.12	[illegible]
16	Investment Trust Prefs. (15)	51.54	13.57	51.54	51.54	51.45	51.45	51.68	51.69	51.63	[illegible]
17	Coml. and Indl. Prefs. (20)	71.52	13.06	71.52	71.56	71.60	71.76	71.76	71.79	71.88	[illegible]

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Abbey Unit Tst. Mngrs. Ltd. (a)
72-80, Gatehouse Rd., Aylesbury. 0296 5941

Abbey Capital	33.3	35.4	-0.4	4.46
Abbey Income	39.9	42.4	-0.4	6.28
Abbey Inv. Tst. Fd.	34.6	36.8		4.57
Abbey Gen. Tst.	45.2	48.1	-0.7	4.31
Equities Prog. Tst.	64.7	68.3xd	-0.3	4.76

Allied Hambro Group (a)(g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds

Allied 1st	65.4	70.0	-0.4	5.79
Brit. Inds. Fund	63.9	68.4	-0.8	5.64
Grth. & Inc.	36.3	38.8	-0.5	5.01
Elect. & Ind. Dev.	33.8	36.2xd	-0.4	4.89
Allied Capital	67.5	72.0	-0.7	4.72
Hambro Fund	105.6	113.0	-1.3	5.40
Hambro Acc. Fd.	120.3	128.8xd	-1.8	5.01

Income Funds

High Yield Fd.	70.9	75.9	-0.3	8.30
High Income	65.3	69.9	-0.7	7.08
A.H. Eq. Inc.	39.1	41.8	-0.3	7.18

International Funds

International	25.5	27.3	-0.2	2.49
Pacific Fund	44.3	47.4	-0.5	2.11
Sec. Of America	48.2	51.6xd	-0.5	2.23
U.S.A. Exempt	86.2	90.7	-0.8	1.65

Specialist Funds

Smaller Co.'s Fd.	36.0	38.5	-0.2	4.81
2nd Smlr. Co.'s Fd.	46.1	49.3	-3.1	4.83
Recovery Sits.	94.5	101.1	-0.8	5.09
Met. Min. & Cdty.	39.2	41.9xd	-0.7	5.47
Overseas Earnings	57.4	61.5	-0.8	4.72
Expt. Smlr. Co.'s	232.0	244.2	-1.2	5.32

Anderson Unit Trust Managers Ltd.
62 Fenchurch St., EC3M 6AA. 623 9231

Anderson U.T.	50.1	54.2		5.14

Ansbacher Unit Mgmt. Co. Ltd.
1 Noble St., EC2V 7JA. 01-623 6376

Inc. Monthly Fund	175	185		9.09

Arbuthnot Securities Ltd. (a)(c)
37, Queen St., London EC4R 1BY. 01-236 5281

High Yield	43.8	47.3xd	-0.1	11.74
(Accum. Units)	64.8	69.1xd	-0.2	11.74
Extra Income Fd.	104.5	112.8xd	-0.6	10.96
High Inc. Fund	39.5	42.6		9.45
(Accum. Units)	55.0	59.4		9.45
(6% Wdrwl. Uts.)	52.5	56.7		9.45
Preference Fund	25.0	26.9		12.19
(Accum. Units)	38.7	41.7		12.19
Capital Fund	18.4	19.8		
Commodity Fund	59.2	63.7xd	-0.5	5.93
(Accum. Units)	86.3	92.9xd	-0.7	5.93
(10% Wdrwl. U.)	50.1	53.9xd	-0.4	5.93
Fin. & Prop. Fd.	16.4	17.7		3.06

Framlington Unit Mgt. Ltd. (a)
5-7 Ireland Yard, EC4B 5DH. 01-248 6971

American	41.6	44.6		1.25
Capital Tst.	128.8	137.0		3.94
Income Tst.	106.4	113.0xd	-1.2	6.84
Int. Growth Fd.	108.4	115.3xd	+2.2	2.43
Do. Accum.	112.8	120.0	+2.4	2.43

Friends' Provdt. Unit Tr. Mgrs.
Pixham End, Dorking. 0306 5055

Friends Prov. Uts.	41.9	44.6xd	-0.7	4.47
Do. Accum.	55.3	59.1	-1.0	4.47

G.T. Unit Managers Ltd.
16, Finsbury Circus EC2M 7DJ. 01-628 8131

G.T. Cap. Inc.	80.4	85.5		3.50
Do. Acc.	97.3	103.5		3.50
G.T. Inc. Fd. Un.	154.5	164.3		7.70
G.T. U.S. & Gen.	117.2	124.6xd		3.10
G.T. Japan & Gen.	91.7	96.5		1.10
G.T. Pens. Ex. Fd.	135.9	142.6		3.80
G.T. Int'l. Fund	152.6	162.3		1.80
G.T. Four Yds. Fd.	54.9	58.4		7.30

G. & A. Trust (a)(g)
5 Rayleigh Rd., Brentwood. (0277) 227300

G. & A.	31.9	34.1xd	-0.4	4.87

Gartmore Fund Managers (a)(g)
2 St. Mary Axe EC3A 8BP. 01-283 3531

(g)American Tst.	22.9	24.7	+0.3	0.10
British Tst. (Acc.)	50.9	55.0	-1.2	3.82
Commodity Share	146.1	157.1	-1.7	3.81
Extra Income Tst.	24.3	26.2xd	+0.2	8.82
(g)Far East Trust	34.5	37.1	+0.7	0.49
High Income Tst.	58.9	63.4	-0.5	9.20
Income Fund	71.1	76.5	-0.7	7.48
Ins. Agencies	134.0	142.6	-0.2	3.46
Intl. Exempt Fd.	86.2	93.8xd	-1.1	5.38
(g)Intl. Tst. (Acc.)	29.6	31.8xd		0.94

Gibbs (Antony) Unit Tst. Mgs. Ltd.
3 Frederick's Pl., Old Jewry, EC2. 01-588 4111

(a)A.G. Income*	40.6	44.1xd		9.70
(a)A.G. Growth†	38.2	41.2		5.30
(a)A.G. Far East*	25.7	27.7		0.60

Dealing *Tues. ††Wed.

Govett (John)
77, London Wall E.C.2. 01-588 5620

S'hir. Nov. 3	134.2	141.6		2.89
Do. Accum. Unit	161.2	169.9		2.89

Next dealing day Nov. 17

Grieveson Management Co. Ltd.
59 Gresham St., EC2P 2DS. 01-606 4433

Barrington Nov. 15	211.0	220.5		5.48
(Accum. Units)	231.6	242.1		5.48
Bing. H. Yd. Nov. 16	175.5	183.8	-1.0	8.92

[illegible]

... For Equitas Securities Ltd. see Abbey Unit Trust Mngrs.

Equity & Law Un. Tr. M. (a)(b)(c)(z)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	64.6	67.9	-0.9	4.53

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041 204 1321

J. Finlay Internat'l.	21.2	22.8		2.72
Accum. Units	25.1	27.0		2.72
J. Finlay Income	34.4	37.0		8.65
J. Finlay Euro. Fin.	27.2	29.2		2.60
Accum. Units	32.2	34.6		2.60
J. Finlay Fd. In. Tst.	28.2	30.3		4.45
Accum. Units	32.4	34.8		4.45

Prices Nov. 15. Next dealing Nov. 22.

Sheffield, S1 3RD. Tel: 0742 79842

Commodity & Gen.	65.1	69.0xd	-0.6	5.64
Do. Accum.	74.3	81.3	-9.8	5.64
Growth	35.9	38.6	...	3.35
Do. Accum.	38.5	41.4	...	3.35
Capital	25.8	27.8		4.05
Do. Accum.	28.3	30.4	+0.1	4.05
Income	51.0	54.9	-0.7	6.92
Do. Accum.	59.5	64.1	-0.8	6.92
International	42.4	45.8	+0.4	3.34
Do. Accum.	45.2	48.8	+0.5	3.34
High Yield	61.1	65.8xd	-0.7	8.55
Do. Accum.	66.7	71.8	-0.7	8.55
Equity Exempt*	102.5	108.2	-1.5	6.07
Do. Accum.*	102.5	108.2	-1.5	6.07
Japan & Pacific	47.0	50.0		—
Do. Accum.	47.8	50.8		—

*Prices at Oct. 31. Next dealing Nov. 30

CORAL INDEX: Close 468-473

INSURANCE AND PROPERTY BONDS

[illegible]

INSURANCE BASE RATES

†Property Growth	10¼%
†Vanbrugh Guaranteed	10.87%

†Address shown under Insurance and Property Bond Table.

NOTES

[illegible]

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"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

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[illegible]

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[illegible]

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[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

High	Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
24	17	Antofagasta Rly.	22½	.....	—	—
41	33	Do. 5pc Pref.	33xd	.....	1½p	—
53	98	Chilean Mixed	98	.....	—	£3.10
415	350	German Yng. 4½pc	411	.....	4½	—
52	46	Greek 7pc Ass.	50	.....	3½	17.29
51	46	Do. 6pc 28 Stab. Ass.	45	.....	6	16.24
44	40	Do. 4pc Mixed Ass.	40	.....	4	£5.13

BONDS & RAILS—Cont.

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium 42¾% (based on U.S.$2.0028 per £) Conversion factor 0.7021 (0.7175)

CANADIANS

[illegible]

S.E. List Premium 42¾% (based on $2.3091 per £)

BANKS AND HIRE PURCHASE

[illegible]

High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's	P/E
160	31	Hill Samuel	[illegible]	.....	†4.97	—	[illegible]	—
600	185	Do. Warrants	188	—12	—	—	—	—
360	203	Hong Shng $2.50	260	.....	hQ59c	—	2.7	—
69	52	Jessel Toynbee	59	.....	†h3.32	—	8.4	—
215	160	Joseph (Leo) £1	160	.....	8.74	—	8.2	—
55	37	Keyser Ullmann	48	—2	0.67	—	2.1	—
74	56	King & Shax 20p	60	.....	3.44	—	8.7	—
114	88	Kleinwort B.L.	88	—1	†4.18	—	7.1	—
297	252	Lloyds £1	253	—5	†9.23	4.8	5.4	5.7

BANKS & HP—Continued

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

FINANCIAL TIMES

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FINANCE

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AUSTRALIAN

TINS

COPPER

MISCELLANEOUS

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

$15¾	$10¼	Duffels R1	$10½	−⅝	Q170c	1.8	25.7
$11⅜	830c	East Drie R1	830c	−34	†Q78c	1.7	10.8
505c	330c	East Rand Prp. R1	385c	−10	—	—	—
$20⅞	$16⅝	F.S. Geduld 50c	$16⅝	−¼	Q315c	ϕ	21.7
$15⅝	975c	Pres. Brand 50c	$10⅜	−⅛	Q150c	ϕ	16.1
$13⅞	900c	St. Helena R1	975c	−1	Q190c	ϕ	22.5
555c	313c	Stilfontein 50c	370c	−26	†Q22c	2.3	6.9
$17⅞	$16⅝	Vaal Reefs 50c	$17¼	−⅝	Q115c	3.3	7.7
$37	$25	West Drie R1	$27½	−1	Q385c	1.7	16.1
$21¼	$19	West Hldgs. 50c	$19	−⅞	Q415c	ϕ	25.2
$12½	695c	Western Deep R2	950c	−62	Q82.5c	2.4	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Sterling denominated securities which include investment dollar premium.
- "Tap" Stock.
- Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- Figures or report awaited.
- †† Unlisted security.
- Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- Merger bid or reorganisation in progress.
- Not comparable.
- Same interim: reduced final and/or reduced earnings indicated.
- Forecast dividend; cover on earnings updated by latest interim statement.
- ¶ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- Excluding a final dividend declaration.
- Regional price.
- No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ϕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 44

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26	
Ash Spinning	60xd	−1
Bertam	15	
Bdg'wtr Est. 50p	323	
Clover Croft	23	
Craig & Rose £1	605	
Dyson (R. A.) A	37	
Ellis & McHdy	66xd	
Evered	25	
Fife Forge	52	
Finlay Pkg. 5p	21	
Graig Ship £1	140	
Higsons Brew.	75	
Holt (Jos.) 25p	252	
I.O.M. Stm. £1	178	
Nthn. Gold'smith	65	
Pearce (C. H.)	133xd	
Peel Mill	21	
Sheffield Brick	48	
Sheff. Refrshmt.	66	
Sindall (Wm.)	114	

IRISH

Conv. 9% '80/82	£89¾	
Alliance Gas	96	+1
Arnott	350	
Carroll (P.J.)	95	
Clondalkin	102	+15
Concrete Prods.	130	
Heiton (Hldgs.)	49	
Ins. Corp.	160	
Irish Ropes	110	
Jacob	55	
T.M.G.	172	−3
Unidare	88	

OPTIONS
3-month Call Rates

Industrials

A. Brew	6½
A.P. Cement	18
B.S.R.	9
Babcock	11
Barclays Bank	25
Beecham	35
Boots Drug	15
Bowaters	16
B.A.T.	22
British Oxygen	6
Brown (J.)	20
Burton 'A'	12
Cadburys	5
Courtaulds	10
Debenhams	6
Distillers	15
Dunlop	7
Eagle Star	11
E.M.I.	12
Gen. Accident	17
Gen. Electric	18
Glaxo	40
Grand Met.	9
G.U.S. 'A'	20
Guardian	10
G.K.N.	22
Hawker Sidd.	20
House of Fraser	12
I.C.I.	20
"Imps"	6
I.C.L.	20
Inveresk	8
K.C.A.	3
Ladbroke	17
Legal & Gen.	14
Lex Service	7
Lloyds Bank	22
"Lofs"	4
London Brick	5
Lonrho	5
Lucas Inds.	25
Lyons (J.)	10
"Mams"	7
Mrks. & Spncr.	10
Midland Bank	25
N.E.I.	12
Nat. West Bank	22
Do. Warrants	10
P & O Dfd.	8
Plessey	8
R.H.M.	5
Rank Org. 'A'	18
Reed Intnl.	12
Spillers	3
Tesco	4
Thorn	22
Trust Houses	15
Tube Invest.	30
Unilever	35
Utd. Drapery	7½
Vickers	15
Woolworths	5

Property

Brit. Land	3¾
Cap. Counties	4½
E.P.	5
Intreuropean	4
Land Secs.	16
MEPC	12
Peachey	8
Samuel Props.	9
Town & City	1¼

Oils

Brit. Petroleum	45
Burmah Oil	5
Charterhall	3
Shell	28
Ultramar	20

Mines

Charter Cons.	12
Cons. Gold	14
Rio T. Zinc	16

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Friday November 17 1978

MONEY SUPPLY ON BOTH SIDES OF THE ATLANTIC

Growth in UK held down

BY MICHAEL BLANDEN

THE GROWTH of the money supply has been held below the Government's target range of 8-12 per cent during the first half of this financial year.

Figures published by the Bank of England yesterday suggested, however, that there was a strong underlying upward trend in the demand for credit last month.

Pressures on the lending market, which, because of the distorting influence of the corset controls on the growth of the banks, are not fully reflected in the money supply, were one of the main reasons for last week's decision to lift minimum lending rate by 2½ per cent to 12½ per cent.

During the four-week period to mid-October, sterling M3—the broader measure of money supply—increased by £520m after seasonal adjustment, a rise of 1.1 per cent. This was in line with general expectations in the City after last week's banking figures.

The increase in sterling M3 over the first six months of this financial year was just over 3½ per cent, equivalent to an annual rate of about 7½ per cent.

The new figures, therefore, confirm the indication given last week by Mr Denis Healey that the growth was nearer 7 per cent a year than 8 per cent, in his statement announcing that the present monetary targets would be maintained for another six months.

There are, however, a number of signs in the figures suggesting that the basic trend of credit and liquidity is rising quite rapidly.

After falling in August as the banks adjusted to the initial impact of the corset restraint on their interest-bearing deposits, sterling M3 has been rising quite sharply in the last two months.

Another pointer is given by the growth of the money stock on the narrower definition (M1), including only cash and current accounts.

This measure increased by 1 per cent last month after a 2.1 per cent jump in the previous month, and so far this year has risen by about 5½ per cent.

Bank lending to the private sector in sterling increased by £327m last month, a rather greater rate of growth than in the previous two months. There seems also to have been some further rise in borrowing through company bills taken up by investors outside the banking sector.

Total domestic credit expanded by £535m after seasonal adjustment during the month, with the public sector contributing about £200m. The central Government borrowing requirement, at £526m, was well down from the previous month's exceptional £1.22bn.

The public's holdings of gilt-edged stocks declined, but there were further substantial purchases by the public of national savings and certificates of tax deposit.

Fed reduces targets

BY JUREK MARTIN

WASHINGTON, Nov. 16.

THE FEDERAL RESERVE today implied some further tightening in the U.S. money supply, but coupled this announcement with a disclosure of a new monetary measurement which it felt would offer a more accurate guide in the future.

The Fed's action, outlined in Congressional testimony this morning by Mr. G. William Miller, its chairman, consists of a sharp reduction for the year ahead of the growth targets for the narrowest definition of the money supply, M1. These have been set at 2 to 6 per cent, down from 4 to 6½ per cent. M1 consists of money in circulation and current accounts at banks.

But recent innovations in the banking system, including the automatic transfer of funds from savings to current accounts, has induced the Fed to come up with another measurement, to be known as M1 plus, consisting of basic M1, savings accounts at commercial banks, negotiated order of withdrawal accounts, demand deposits at mutual savings banks and credit union share drafts.

The target range for this measurement has been set at 5 to 7½ per cent for the year ahead. The ranges for the broader calculations, M2 and M3, have been left unchanged at 6½ to 9 per cent and 7½ to 10 per cent respectively. Overall, Mr. Miller said, the Fed anticipates that bank credit will grow by 8½ to 11½ per cent in the year ahead.

Mr. Miller admitted that there were considerable uncertainties on the inflation front—including international oil prices and the impact of bad weather on the harvest—and that it would be "difficult to break the momentum of inflation" with so many cost increases already in the pipeline.

Although his inflation assumptions are rather less optimistic than those publicly offered by the Carter Administration, his overall economic projections remain more bullish than those of many private economists. Yesterday, the Senate banking committee, in front of which Mr. Miller appeared today, heard testimony from four prominent economists who predicted a mild recession, worse unemployment and higher inflation than the Fed chairman.

Long debate

In particular, Mr. Miller thought that the housing industry could weather the impact of slower economic growth more easily than it had in 1974-75, when it virtually collapsed. With the protection afforded to the thrift institutions, which underpin construction by new six-month certificates, he foresaw housing starts dropping to an annual rate of about 1.7m next year, compared with this year's 2m level.

He was also encouraged by the relatively low current rate of inventories to sales, which, he argued, should mean that business investment "should remain supportive of economic expansion."

The intention is to announce the M1 plus weekly, along with the other figures, starting this afternoon. The decision to introduce the new measurement is the result of a long internal debate at the Fed, dating back to Dr. Arthur Burns's tenure as chairman.

Mr. Miller emphasised today that there remained considerable uncertainty over the speed and extent to which the public would take advantage of the opportunities provided by the transferability of funds from savings to demand accounts.

The impact on M1, he said, was particularly imponderable, which was why its target range had been substantially widened. Although no reduction in the targets for the broader measurements had been taken, he expected that they would grow at closer to the lower end of their respective ranges.

Over the last year, M1 has expanded by about 8 per cent, much the same as in the previous year, and well in excess of the Fed's goals. Defending the Fed's conduct of monetary policy, Mr. Miller noted that this was appreciably below the advance in nominal Gross National Product, and was well under comparable monetary expansion in other countries, such as West Germany, Japan and the United Kingdom.

Moreover, he argued that this year, both M2 and M3 had been within the target ranges and, in both cases, were 3-3½ per centage points below the previous year. He promised that the Fed would continue to work for gradual deceleration of monetary and credit expansion.

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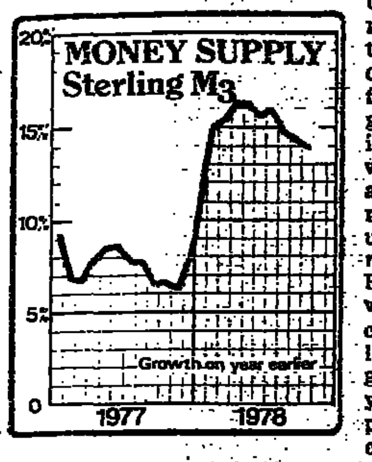
THE LEX COLUMN

Sedgwick's deal with Midland

Index fell 4.6 to 471.0



The shape of the world's insurance broking industry is changing radically within the space of a few months. The talks announced in September between Marsh and McLennan and C. T. Bowring raised questions about the future of Bland Payne of which Marsh owns a fifth and Midland Bank the rest. They also concentrated the minds of other leading brokers on the attractions of transnational mergers.

Now Sedgwick Forbes, which has a market capitalisation of £125m, is talking merger with Bland Payne—a company which is almost its size in terms of earnings and net assets. The idea is that Sedgwick will buy Bland Payne from Midland with shares, and that Midland will in turn buy out the Marsh minority for cash—say, £15m or so.

Midland will then divest itself of all but perhaps 10 or 15 per cent of its holdings in the enlarged company, either by offering them in the form of a rights issue (if it can get around tax problems) or by some form of offer giving its shareholders preferential treatment.

Either way, very large sums of money (maybe £60-£80m) will be involved—especially by the standards of a stock market sector which is valued at around £700m. Short term, this prospect may have quite an impact on insurance brokers' share prices. The taxman will make sure that Midland does not offer the shares to its shareholders at a bargain price, and the most likely form of sweetener is a big dividend increase on the Sedgwick shares.

This deal is not conditional on the outcome of talks which the two companies are concurrently holding with Alexander and Alexander about a pooling arrangement on Marsh and McLennan/Bowring lines, which would not involve the issue of shares. If all this goes through, it will bring together three of the world's best regarded broking groups—each of which has very roughly trebled its profits in the past three years.

For Midland, the funds come after a period in which the bank has become much more aggressive. It has been the only clearing bank to launch 2 rights issues within 3 years and by cleverly anticipating the introduction of the corset it has managed to increase its UK market share.

However, the glaring weakness in its expanision plans is its limited international exposure which it is now trying to rectify. It has raised three tranches of $125m on the Eurobond market since 1976 and with the latest £96m of rights issue proceeds under its belt, the question is whether it is now contemplating a major international acquisition. In the past it has considered using Bland Payne as the vehicle for its U.S. ambitions but this is now ruled out. This may revive speculation of a bid for Standard Chartered—currently capitalised at £270m, roughly equivalent to the amount of money Midland has raised over the last three years.

Royal Dutch/Shell

The pessimists proved to be right about the third quarter figures from the Royal Dutch/Shell Group. Despite improvements in North American earnings, and rising sales volumes throughout the group in oil products (which outside North America were 3 per cent higher than in the same quarter of 1977) the group could manage net income of only £252m, before a positive FAS 8 currency adjustment of £20m. This compares with £317m a year ago, and £282m for the immediately preceding quarter.

Part of the deterioration is exceptional: Shell has provided for extra deferred taxes and more nuclear losses at General Atomic, and together these may have knocked £40m off July-September net income. It is plain, however, that margins in chemicals have been disappointing, despite a rise of a tenth in volume over the past year, while earnings from gas are down: third quarter gas volume fell by 9 per cent outside the U.S.

In oil products, meantime, growth has been decidedly uneven. Gasoline volume was up by 7.3 per cent in the quarter, compared with a year ago, while kerosines were up by 11 per cent. But fuel oil volume, reflecting the dullness of industrial demand, has stayed unchanged all year, seasonal fluctuations apart. The Shell group's performance could improve in the final quarter, with oil product prices firming and output of Shell's Dutch gas responding more to the seasonal upturn in demand than the relatively inflexible supply of Ekofisk gas, which is associated with oil production. But net income of £1,200m a year now looks a slightly ambitious target, and, in only falling 4p yesterday to 570p—where the prospective yield is just 4.4 per cent—Shell Transport shares appear to be discounting a decent earnings improvement in 1979.

Boots

Interim sales are up almost 23 per cent at Boots, but pre-tax profits come out only 7 per cent better at £51m. Though this is on the lower side of most forecasts yesterday's statement seems to have allayed some of the worst market fears. On the UK side Boots the Chemists has come out of the High Street battle for non-food volume better than most. Overall UK retail sales have increased by 19 per cent and a good 9 per cent of this is volume.

On the overseas front, the picture is very similar to what seems to be happening in the world pharmaceutical market generally. Sales volumes are well up, but tough competition and adverse currency movements have left margins significantly lower. While indications are that the second half will show further improvements in the UK retail side, it may be another year or two before the impact of Froben (the new anti-rheumatic drug) really begins to come through at the bottom line. Already, however, Boots is claiming that UK sales volumes of this drug are running at 60 per cent those of Brufen (an earlier version), which itself has gained 20 per cent more volume in the past year.

The Boots board hopes for "satisfactory results" for the year, and analysts are translating this at something like £123m (£107m), which leaves the shares with few attractions on a prospective fully taxed p/e of about 12, with a yield of 4.5 per cent.

Exclusive football contract for ITV

BY ARTHUR SANDLES

THE FOOTBALL League has signed an option for the exclusive television coverage of all English soccer matches under its control with London Weekend Television, acting on behalf of all the ITV companies.

ITV will pay substantially more than the £500,000 a year which the BBC and ITV jointly pay for coverage at present. The new deal more than doubles this figure, while guaranteeing to the clubs that the amount of soccer on television will be halved.

The option enables LWT's negotiators to have their actions ratified by the other commercial television companies. It is unlikely that the companies will do other than confirm the arrangement. This will mean that the BBC will be left with international matches and the FA Cup.

The exclusive coverage of this big British spectator sport by one television channel, can be expected to a furore.

The BBC said: "Ten years ago, at the instigation of the Fotball League and the Football Association, it was decided football coverage on television could only be negotiated jointly with the BBC and ITV.

"No company had the right to exclusivity—and that has been the position for the past ten years. Until five o'clock this afternoon, the official negotiators jointly appointed by the BBC and ITV were totally unaware of the bid by London Weekend Television, or that company's unilateral negotiation with the Football League.

Mr. Michael Grade, LWT's programme controller, said the company had sensed the mood of the clubs and realised that a renewed deal with the BBC could not be accepted. Therefore, LWT had gone in alone. "The deal is good for ITV and good for football," he said.

Mr. Alan Hardaker, Secretary of the League, said last night that, without the deal, there would have been no soccer on television next season. "The clubs would not have accepted an improvement on the old deal," he said.

In a complex contract, ITV has agreed to give more time to provincial matches and the League a big slice of foreign proceeds from soccer programme sales. For the individual clubs, it means substantially more than the present average return of £5,000 each a year.

The new arrangements were confirmed at a special meeting of club chairmen yesterday. Of the 51 people present, only one voted against acceptance. Thus, the BBC was left out in the cold.

The meeting lasted only an hour and the near unanimity of the vote suggests that the BBC has little or no chance of fighting back, whatever its view. There is some indication that the soccer clubs were concerned that the BBC was taking [illegible] for granted, and [illegible] to deal with [illegible] ...atives [illegible] more [illegible]

First Japanese payments deficit for three years

BY RICHARD C. HANSON

TOKYO, Nov. 16.

JAPAN REGISTERED a balance of payments deficit in October for the first time since November, 1975, while the trade surplus also showed a significant decline.

Emergency imports and a substantial fall in export volume cut the trade surplus to $1.070bn from $1.872bn in September. On a seasonally adjusted basis the surplus fell to $866m from $1.643bn in September.

The current account surplus of $315m registered in October was transformed into a deficit of $1.404bn ($1.184bn seasonally adjusted). There was a record $1.6bn outflow in the long-term capital account following a $1.328bn outflow in September because of heavy bank lending overseas.

Officials at the Economic Planning Agency now expect the current account surplus for the fiscal year ending next March may reach about $14.5bn, above the latest Government target of $13.5bn but well below some earlier projections.

October exports (FOB) on a dollar basis rose by 20 per cent from a year ago to $8.35bn, but slipped from $8.71bn in September when some special factors boosted the total. On a yen basis, exports dropped 13 per cent from last year. The Economic Planning Agency estimates that export volume was down 7.9 per cent from September, when volume had been up 5.6 pr cent. Major exporters, such as the motor industry, are expected to show further declines in coming months.

October imports registered a record monthly dollar-based peak of $7.28bn, 42 per cent up from last year, compared with $6.1bn in September. Finance Ministry officials estimate that about $1.2bn of the total was the result of its emergency import programme, which aims to import $4bn in various goods by the end of the fiscal year. The programme is just beginning to have an impact, mostly through payments for enriched uranium, oil and used ships.

Including the preliminary October results—revised figures normally show little change—the current account surplus has been running at an annual rate of about $16bn since the fiscal year began in April.

It now appears that, even without emergency imports, the current account will show continued monthly declines when compared with the first six months of the fiscal year, though the balance of payments deficit is unlikely to continue.

French steel merger plan

By Our Financial Staff

Two leading French steel companies, Usinor and Chatillon-Neuves-Maisons, the main steelmaking operation of the hCiers-Chatillon group, plan to merge.

Usinor is France's number one steel company in terms of output, and Chiers-Chatillon ranks number four. They employ about 47.00 people, and last year producer 9.5m tonnes of steel between them.

The move, which will constitute a major part of the rescue plan for France's ailing steel industry, is not unexpected. It follows an announcement in July of closer co-operation between the two companies.

They both have plans to build a new steelworks in Lorraine, and the market is sufficient to sustain only one of them.

Co-operation agreements already in existence between the two concerns in the steelmaking region around Lille, cover the interchange of materials. Their activities overlap both there and in Lorraine, where Usinor has a steelmill at Thionville, Chatillon, one at Neuves-Maisons, and both have plants at Longwy.

Usinor has a capital of FFr 1.43bn, and Chatillon-Neuves-Maisons FFr 598m. Usinor made a loss of FFr 2.06bn in 1977 on a turnover of FFr 9.71bn, and Chatillon-Neuves-Maisons lost FFr 648m on sales of FFr 2.79bn.

No details of the planned merger were immediately available. The deal has still to be approved by shareholders of both companies.

Kirkby workers back take-over

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE WAY was cleared yesterday morning for the Kirkby Manufacturing and Engineering workers co-operative to be returned to the private sector, when a mass meeting of the 720 workers involved decided by an overwhelming majority to accept take-over proposals from Worcester Engineering, a Midlands-based central heating equipment factory.

Only about 20 workers voted against. The future of the take-over now depends on the settling of a number of matters to the satisfaction of the Government's Industrial Development Advisory Board.

On Wednesday night the Board gave only qualified approval to £4m state aid, partly in the form of preference shares, being allocated to help fund the take-over and the development of the co-operative's large loss-making Merseyside factory. Some £5.5m has been paid out in Government grants to the co-operative in the past four years.

The matters to be decided include firm arrangements for 260 of the workforce to be made redundant. Credit facilities are also needed with bankers and other organisations, including the British Steel Corporation—a major supplier of raw material—as well as an agreement with International Property Development which owns the factory's lease. It is hoped the takeover can then go ahead in two to three weeks' time.

The future of the two leaders of the co-operative also has to be decided. They are Mr. Jack Spriggs and Mr. Dick Jenkins, who were senior shop stewards at the factory until they became convener-directors when the co-operative was founded four years ago.

Yesterday Mr Spriggs and a local Merseyside MP, Mr. Robert Kilroy-Silk, made it clear that they intend to campaign among Ministers and MPs during the next fortnight for the co-operative to be taken over by the National Enterprise Board.

They said this in London when a Department of Industry report which recommended the Worcester takeover was published. They clashed over the matter with Mr. Alan Williams, Minister of State for Industry, who said that neither the Government nor the NEB agreed with such a solution.

"The workpeople of Kirkby are very disappointed that a Government of their choice should allow a co-operative to be handed back to private enterprise," said Mr. Spriggs. "We will not impede the Worcester takeover, but I hope we can persuade the Government to get the NEB in before Worcester sign. I am disgusted by the attitude of the NEB."

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New cigarette

A NEW international length cigarette, the Supreme, is being launched by Benson and Hedges at a recommended retail price of 60p for 20. Supreme, in the middle tar range, will be available initially on selected distribution only.

Tricentrol offshore bid

BY KEVIN DONE, ENERGY CORRESPONDENT

TRICENTROL, the independent British oil company, is making a strong bid to gain its first operatorship for UK offshore oil exploration in the Sixth Round of licensing, which closes on Monday.

It has formed a consortium with the state oil companies of Spain and Sweden to apply for North Sea licences.

It is also bidding as operator for a larger consortium for for blocks on offer north-west of the Shetland Islands.

Tricentrol's main involvement in UK offshore oil development comes from its 10 per cent share in the Thistle Field, for which the British National Oil Corporation is operator.

But over the past year it has made a determined effort to build up its oil exploration department in preparation for the latest round.

The conditions for the Sixth Round offer considerable encouragement for the handful of smaller UK oil companies—because for the first time the Department of Energy is granting only initial exploration licences.

Development licences for any discoveries will be given later, when the operatorship could be switched to consortium members with greater resources.

This switch could benefit the British National Oil Corporation, which will have an automatic 51 per cent equity interest in all licences. Other independent UK oil companies bidding for an exploration operatorship include Oil Exploration (Holdings) and Cluff Oil.

The smaller oil companies could also be attracted to the new terms for offering BNOC more than a 51 per cent share in licences, an option that is unlikely to be pursued by the larger oil groups.

In the North Sea, the Tricentrol group will include Hispanoil and Svenksa Petroleum, with equal third shares.

For licences off the north-west of the Shetlands these companies will be joined by Hamilton Brothers—operator for the North Sea Argyll Field—Blackfriars (the Associated Newspapers subsidiary) and Oil Exploration (Holdings). In the South-Western Approaches, Tricentrol is joining a group with Gulf and Charterhouse, of which Gulf will be the operator.

North Sea Energy Review Page 8

Weather

UK TODAY

CLOUDY and mild. Some rain in N. and W., mainly dry in S.

London, S.E., E. England, E. Anglia, E. Midlands

Rather cloudy, mainly dry. Max. 13C (55F).

Cent. S., S.W. England, Channel Is., S. Wales

Mostly cloudy, rain spreading from west later. Max. 13C (55F).

W. Midlands, N. Wales, N.W., N.E., Cent N. England

Rather cloudy, perhaps occasional rain. Max. 12C (54F).

Lakes, I. of Man, Borders, all Scotland, N. Ireland

Cloudy, rain at times. Max. 11C (52F).

Shetland

Rain at times, clearing later. Max. 11C (52F).

Outlook: Becoming colder, with showers spreading from N.W. Snow over N. hills. Windy.

BUSINESS CENTRES

		Y'day midday °C	°F			Y'day midday °C	°F
Amstdm.	F	10	50	Madrid	S	10	50
Athens	S	17	63	Manchstr.	S	10	50
Bahrain	S	27	81	Melbourne	C	22	72
Barcelona	S	16	61	Mexico C.	S	19	66
Beirut	S	18	64	Milan	S	15	59
Belfast	C	7	45	Montreal	C	4	39
Belgrade	C	0	32	Moscow	C	4	39
Berlin	F	10	50	Munich	S	14	57
Brmghm.	S	10	50	Newcastle	S	8	46
Bristol	S	11	52	New Delhi	S	25	77
Brussels	S	10	50	New York	S	9	48
Budapest	C	−3	27	Oslo	C	7	45
B. Aires	S	21	70	Paris	F	12	54
Cairo	S	21	70	Perth	S	19	66
Cardiff	C	10	50	Prague	C	8	[illegible]
Chicago	C	5	41	Reykjavik	F	−1	30
Cologne	F	10	50	Rio de J'o	C	27	81
Copnhgn	F	8	46	Rome	S	17	63
Dublin	C	9	48	Singapore	S	29	84
Edinburgh	S	8	46	Stockholm	C	9	48
Frankfurt	F	11	52	Strasbrg.	C	10	50
Geneva	C	12	54	Sydney	C	24	75
Glasgow	C	8	46	Tehran	S	12	54
Helsinki	F	8	46	Tel Aviv	S	19	66
H. Kong	S	24	75	Tokyo	S	17	63
Jo'burg	C	16	61	Toronto	S	5	41
Lisbon	C	15	59	Vienna	C	−1	30
London	S	12	54	Warsaw	C	9	48
Luxembg	F	8	46	Zurich	C	10	50

HOLIDAY RESORTS

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	17	63	Jersey	F	13	55
Algiers	S	19	66	Las Plms	S	23	73
Biarritz	C	14	57	Locarno	S	11	52
Blackpool	C	10	50	Majorca	F	19	66
Bordeaux	C	13	55	Malaga	F	20	68
Boulogne	F	11	52	Malta	C	17	63
Casablnca	F	19	66	Nairobi	R	23	73
Cape Town	S	22	72	Naples	S	16	61
Corfu	S	18	64	Nice	S	16	61
Dubrovnik	S	15	59	Nicosia	S	19	66
Faro	C	19	66	Oporto	F	17	63
Florence	S	13	55	Rhodes	S	19	66
Funchal	C	20	68	Salzburg	S	13	55
Gibraltar	F	19	66	Tangier	F	22	72
Guernsey	C	12	54	Tenerife	S	20	68
Innsbruck	S	9	48	Tunis	F	16	61
Inverness	C	6	43	Valencia	F	17	63
Isle of Man	C	9	48	Venice	S	9	48
Istanbul	S	14	57				

S—Sunny. F—Fair. C—Cloudy. R—Rain.

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